

PERIODICAL  
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# NATION'S

FEB 8 1937

# BUSINESS



## JANUARY • 1937

**What's Ahead for Congress**

By Turner Catledge

**Shall Workers Share in Profits?**

By E. S. Cowdrick

**An Industrial Youth Movement**

By Herbert Corey

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280,000 NET PAID CIRCULATION

PUBLISHED BY THE

CHAMBER OF COMMERCE OF THE UNITED STATES ★ WASHIN



## OUR OWN SALESMEN

may not like this advertisement

THIS IS perhaps the most unusual advertisement which will appear in Nation's Business this year. It is intended to emphasize the fact, not commonly recognized, that

Aluminum Ingot Sales U.S.A. 1934
Imported and reclaimed secondary metals 64.4%
Our own sales 35.6%
Total 100%

the metal which is our sole livelihood, may be obtained, and is, in fact, regularly purchased from many sources other than ourselves and our distributors.

This is not intended as an advertisement for these

other suppliers of aluminum. It is, instead, a simple statement of fact about the aluminum business which has been too long misunderstood.

It is a matter of record that, during 1934 (the last year for which complete figures are available) the purchasers of aluminum ingot in the United States bought nearly twice as much from other sources as they bought from us.

In that year, out of every 100 pounds of aluminum ingot purchased in this country, 64.4 pounds was bought from foreign producers, or reclaimed from scrap.

The scrap originated from aluminum articles which had already served one useful life, and from the shops of thousands of



manufacturers using aluminum in their products.

As a result of this competition, Aluminum Company of America sold only 35.6%, or slightly more than one-third, of all the aluminum ingot purchased in the United States in 1934.

These facts are not evidence that our salesmen are failing to do a good selling job. On the contrary, by being good salesmen yesterday they actually created today's competition. Much of the aluminum which is sold by this Company is in the course of time reclaimed and remelted by others, and resold by them in active competition with our salesmen.

By this simple economic process aluminum became, many years ago, a freely-traded-in commodity, reaching inevitably the natural price level brought about by the forces of competition.

Item	Price
Aluminum Ingot	...
Aluminum Scrap	...
Aluminum Wire	...
Aluminum Sheet	...
Aluminum Plate	...
Aluminum Rod	...
Aluminum Tube	...
Aluminum Castings	...
Aluminum Fittings	...
Aluminum Fasteners	...
Aluminum Hardware	...
Aluminum Tools	...
Aluminum Machinery	...
Aluminum Structures	...
Aluminum Containers	...
Aluminum Pipes	...
Aluminum Valves	...
Aluminum Fittings	...
Aluminum Fasteners	...
Aluminum Hardware	...
Aluminum Tools	...
Aluminum Machinery	...
Aluminum Structures	...
Aluminum Containers	...
Aluminum Pipes	...
Aluminum Valves	...

It is natural, then, that this Company should direct its activities to those fields in which virgin aluminum, or aluminum in the form of alloys with specific physical characteristics, will do the best job. They are the fields in which really tough requirements are laid down. In such, the experience gained in fifty years of research, and the "know-how" acquired in handling aluminum in all its forms, are of greatest benefit to our customers.

# ALUMINUM COMPANY OF AMERICA





## QUESTIONS our readers are asking:

- 1 • WHAT kind of business legislation can we expect from this Congress?  
..... ANSWER ON PAGE 15
- 2 • WHAT does the international exchange agreement mean and what effect will it have on business?  
..... ON PAGE 18
- 3 • WHAT can I do to keep my assistants on their toes and interested in the business? ..... ON PAGE 21
- 4 • AM I to blame if my associates are dead from the neck up? ..... ON PAGE 22
- 5 • ARE the young men and boys as willing to work today as they used to be? ..... ON PAGE 23
- 6 • SUPPOSE some scientist does manage to split the atom, what does it mean to me? ..... ON PAGE 26
- 7 • WHAT results can I expect, either good or bad, if I establish a system of sharing profits with my employees?  
..... ON PAGE 29
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- 9 • WHAT obstacles are preventing a needed building boom and how can they be overcome? ..... ON PAGE 40
- 10 • ARE things actually done differently in Russia than they are over here?  
..... ON PAGE 50
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- 12 • IS profit sharing necessary to protect the capitalistic system from attacks and to give a better diffusion of earning power? ..... ON PAGE 64
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## NATION'S BUSINESS • CHAMBER OF COMMERCE OF THE UNITED STATES

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**F**IGURE requirements are piling up on business—today more than ever. Figures are the very lifeblood of business, but unless they are accurate, timely, and useful they clog up the works.

Monroe's whole function, since the first Monroe Adding-Calculator was made 25 years ago, has been to speed up and cut the cost of business figures. With 197 different models: calculators, adding-listing and book-keeping machines, check writers and signers, Monroe has a machine for every figuring need. Every Monroe is compact and handy for desk use, every one has the famous "Velvet Touch" keyboard that gives unequalled ease of operation.

Every Monroe user, whether he owns one Monroe or a hundred, is assured of uninterrupted figure produc-

tion, for Monroe nation-wide service operates through 150 Monroe-owned branches.

To really appreciate Monroe simplicity, flexibility, and ease of operation, you should see a "Velvet Touch" Monroe actually at work on your figures. The nearest Monroe branch will be glad to arrange this without any obligation—or you can write direct to us at the factory. Monroe Calculating Machine Company, Inc., Orange, N. J.





## Constant Vigilance is the Price of Ipana's Perfection

★ ★ ★

THE TELAUTOGRAPH in the manager's office spells out "Ipana 6D15—MX29.6 O.K."—symbols that are an uncompromising guarantee of quality.

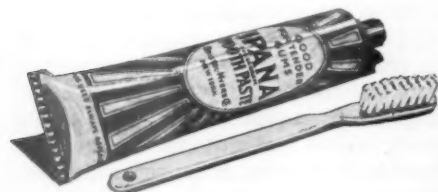
Behind that laconic message stand Ipana's staff of scientists and the finest laboratory owned by any dentifrice. There, 67 separate tests are made at various stages of manufacture.

Expensive? Yes. But Ipana must protect the millions who use it. Every tube must justify the confidence and the approval Ipana has earned in the dental profession.

Your dentist is familiar with Ipana's contributions to better oral health. He knows the dangers of our modern soft food menus to teeth and gums. When he suggests Ipana and gum massage, he's introducing you to a hygiene measure he knows has proved effective in thousands of cases of tender and ailing gums.

### GUARD AGAINST "PINK TOOTH BRUSH"

If "pink" shows on your tooth brush, go see your dentist at once. Possibly some serious gum disorder threatens. More probably, your gums merely need what modern dentists so frequently advise—more stimulation, greater care, daily massage with Ipana Tooth Paste. But, under all circumstances, you should let your dentist make the decision.



For sounder teeth and healthier gums

# IPANA

## TOOTH PASTE

## Through the EDITOR'S SPECS

### Business stays on the job

EVERY year, after the season of gift giving and hearty wishing that marks the climax of one year and the beginning of another, men hunch their shoulders more firmly into the collar and say, "Now we will go back to work."

The common impression is that everybody lays off for the holiday season. This isn't true, of course.

One of the most businesslike things about business is its continuity. It never completely shuts up shop. One man's rest is another man's work.

The celebrant, the vacationist, the reveler, the busman on a holiday require amusement and refreshment. Power and light and heat, transportation and communication, shelter and fuel are in continuous demand. To realize the importance of business, consider for a moment the resulting confusion if those who supply power and light and heat, transportation and communication, shelter and fuel should actually observe a 24 hour holiday.

Even the thought of such an intermission shows how dependent the modern man has become upon his fellows.

The assumption that each of us is doing something to make the general conditions of life easier is fundamental to any concept of civilized society. The miner, the painter, the carpenter, the mechanic, the plumber, the tanner, the world and his wife, all are able to earn a living without direct resort to the soil because they do jobs that free the farmers for the main work of supplying food. The significance of this greatest of all co-operative movements is obscured by its very commonplaceness. Wants are translated into goods and services. Products are created, financed, transported, stored, distributed; services are made available and accessible in accordance with the sovereign dictates of "demand," that nebulous yet imperious economic brevity which comprehends the aspirations of the people, their ever-rising standard of living, the upward spiral of their

growth toward their national destiny.

With all these satisfactions the institution of business is immediately and vitally concerned. Business survives and succeeds because—and only because—it is every man's servant.

### Acknowledging yours

A FRIEND brings us a copy of a letter received in Washington from a Minnesota tory.

The Commission had repeatedly requested truck information and finally received this:

Interstate Commerce Commission  
Washington, d.c.

Dear Sir:

Inclosed find 3 copies of my contract with the R.R. Co. I hope this will end our correspondes for time to come As I am getting all tired of this rate filing and thats all It amount to the Trucks are running wild Just the same as before But I suppose you fellers is having a fat job up there thats the main thing Say if there is succhy thing Grand Mother Clause put Me in that and leave me alone.

### Questions before the House

BUSINESS men of all shades of opinion are concerned with the future course of regulation. Will it hew to the center or incline to the right or left?

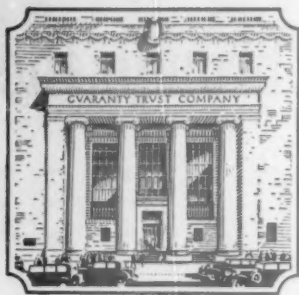
Will it be more or less? Is it possible to foster competition and not engender destructive intensity? Can business be pressed into a common mold and continue to function serviceably?

These questions are limbs from the same trunk. For intelligent answers, the relations of Government to business over a period of time must be considered.

The tendency toward greater regulation began in Grover Cleveland's first administration. Followed the thunderous thwackings of the "trust" by Theodore Roosevelt and the elder LaFollette—a drive on bigness which had its repercussions in the Sherman and Clayton Acts.

No one can deny that this political championship of one size of business





## A Transfer Agent in New York

A BROAD market for securities is of primary importance in the corporate form of doing business.

By having the Guaranty Trust Company act as stock transfer agent in New York, corporations may greatly increase the attractiveness of their shares to the many thousands of investors who buy, sell, and hold securities in the financial center.

These investors, located in various parts of the country, desire the range of choice and the facilities afforded by the New York markets.

This Company, which serves many corporations, large and small, whose stock is dealt in on the New York exchanges, affords the advantages of long experience and exceptional facilities in corporate agency work.

Our pamphlet, "*Advantages in Having A Transfer Agent in New York*," will be sent on request.

## Guaranty Trust Company of New York

140 Broadway

Fifth Ave. at 44th St.

Madison Ave. at 60th St.

LONDON    PARIS    BRUSSELS    LIVERPOOL    HAVRE    ANTWERP

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against another size of business has led to class distinctions in trade and industry.

What was attempted through NRA gave the restrictionists fresh opportunity to proclaim the virtues of comprehensive control by standardization of wages and hours and uniform trade practices. Those who oppose concentration still argue that the Government should interdict development of large scale enterprises in favor of the little "independent." Again class consciousness is fostered.

Business men's views of particular questions are too likely to be influenced by the degree to which their own class consciousness has developed. Once a man feels that his business is "different" he has hoisted a sail which immediately invites the blustery winds of conflicting doctrine.

"How will it affect my business?" is a practical and realistic question.

"How will it affect all business?" is a question no member of the community can dodge by answering in his own interest.

### Dictatorship for everybody

TOP boss of business is the public, and management must face that fact in speaking for workers and stockholders.

And a stern boss the public is when viewed through the eyes of P. W. Litchfield, Goodyear's head man. To the New England Conference at Boston he said:

The public doesn't probe into the inner workings of an industry to see whether it is capital, management or labor that is responsible for shortcomings of service. The public doesn't say "I'll get a new management for this business," or "I'll get a new group of stockholders," or "I'll get a new force of employees," when things are going wrong. What the public says is this: "I'll fire the whole bunch and do business with some other outfit that knows how to do the job I want done." And so it is that the three groups *must*, in their own self-protection, recognize their utter interdependence. They must work in fairness and harmony together, or they all suffer equally and seriously.

How the public regards a business and how it treats business depend in part upon the sum of the states of mind of the people who get their living from business. They make up their minds, not only on the evidence within their own economic activities, but also on the showing of the firms with which they deal as customers. They talk about this business and that. Every day the good name of business comes to judgment. No element of the business community—earnings, investors, managers—is immune to adverse opinion which may

seem directed solely at one of the other groups. The trinity endures productively and profitably to all only when the common interest is sustained with understanding co-operation.

### Prescription for progress

FINDING the direction in which industry may usefully proceed is a business in itself. Various as the definitions of "research" may be, the qualities of faith and patience must be included among the fundamentals of its practice.

What it means to one great exponent of its worth was phrased by Charles F. Kettering, head of General Motors' laboratories. To three hundred industrialists, scientists, editors and educators assembled in New York to do him honor for his many contributions to the development of the automobile, he gave it as his belief that:

You can't stop progress, unless human mentality stops. . . . We know so little about anything in the world ahead of us, but if I could get into the minds of young people today, I would get them to quit looking backward and look forward instead; then I would have no fear for future generations. . . .

When we look forward and try to project what may come out of a development, we are always wrong, because the by-products sometimes become far more important than the primary thing which we started out to accomplish.

Nevertheless, unintelligent motion is a great deal more important than intelligent standing still. Nobody ever stumbled upon anything standing still. You only stumble when you are moving. So, we have made it a rule in our organization that when we lacked intelligence we speeded up the motion, because the chances of stumbling were infinitely increased.

A country that comes to see its research activities as insurance against the paralysis of "good enough" need not worry about its standard of living. No one could speak with more authority on the value of change than the man who 25 years ago literally revolutionized the automobile industry with his self-starting mechanism.

It is not evident whether he and his devoted band of workmen had a label for the absorbing quest that filled their days and nights in a Dayton barn. That their minds were on their job the world well knows. For all the golden endowment of research in the modern manner, by Mr. Kettering's testament, perspiration and persistence are still first principles.

### Human obsolescence

DO business men age faster out of harness than when in the thick of things? How long mind and body can keep going usefully is largely a



## JOIN THE "Not-Over-50" Club

A boy on a bicycle. A speeding car. A stark, grim tragedy ahead. But *not* if there's a little red arrow on the speedometer that says, "Drive at safe, sane speeds. Keep your car constantly under control."

Perhaps you've been driving at high speeds for years. And gotten away with it. Lots of people have. But usually you only guess wrong once, no oftener. The fact that 67% of all auto deaths occur on the open road, where most high-speed driving is done, proves that.

Join the "NOT-OVER-50" Club and play safe. Protect yourself and others from the treachery of needless speed. Let a little red arrow on your speedometer keep you safe from disaster.

### Car Insurance at Cost

The "NOT-OVER-50" Club was organized by Lumbermens as a vital part of its program to provide car insurance at cost. It is a rigid Lumbermens policy to insure only careful drivers in the first place. And these safety measures that make for fewer accidents and fewer losses, coupled with the Company's 24-year record of sound, economical management, make possible the substantial dividends which are paid back to policyholders every year.

That is why, when you insure in Lumbermens, you insure at cost.

## LUMBERMENS MUTUAL CASUALTY COMPANY

*Division of Kemper Insurance*

"World's Greatest Automobile Mutual"

HOME OFFICE: MUTUAL INSURANCE BLDG., CHICAGO, U. S. A.

"NOT-OVER-50" CLUB, 4750 Sheridan Road, Chicago, Illinois

Please mail me.....safety packets as illustrated and described above. I understand that these insignia are absolutely free and that this request places me under no obligation. N. B. I

Name.....

Address.....

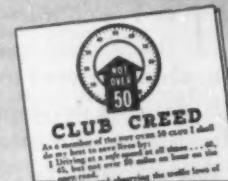
City..... State.....



The Red Arrow Warning



Rear Window Insignia



Safe Driving Pledge

### SAFETY EMBLEMS FREE

You do NOT have to be insured by Lumbermens to join the "NOT-OVER-50" Club, nor do you place yourself under any obligation. Fleet owners may have insignia for every car and truck.





*In the dual meaning of a phrase is expressed the double foundation upon which a great institution stands: quality, and scope of service.*

THE workman who attaches the Westinghouse name plate to a motor knows that it stands for 50 years of development, constant research, a reputation for dependable performance that is the pride of every Westinghouse man and his responsibility to maintain.

"The name that means everything" might call to mind a laboratory worker, searching for a better way to control power leakage. A workman at a bench, perfecting a

special tool for doing his job a little better. An inspector with his microscopic test equipment, as impartial and impersonal as a baseball umpire.

"... everything in electricity," of course, suggests motors, meters, controls, circuit breakers, giant locomotives, heating and lighting equipment, household products of every sort. Its meaning should also include the equipment needed to make and distribute electricity: tur-

bines and water wheel generators, transformers, remote control systems — the list seems endless; some 30,000 products.

And so "the name that means everything in electricity" has a dual significance when applied to Westinghouse: a source of supply for practically everything electrical; a concern so thoroughly identified with electrical achievement that anyone may buy its products with utmost confidence.



# Westinghouse

*The name that means everything in electricity*



question whose answer issues as much from will as from energy. A past president of the American Hospital Association, Dr. R. C. Buerki believes that "the man of today who attains the age of 50 has in reality lived 100 years, and if we continue to increase the speed of our existence at the present rate, it will not be many generations before a man will have lived a lifetime when he reaches the age of 20."

At middle age, in this view, the human organism is likely to be burned out—men have "all lived strenuously, struggling fiercely for their existence until, heavy with an overburden of fat, dull with headache and sleeplessness, wracked with the pains of *angina pectoris* and completely exhausted from overeating and overwork, they come to the doctor, beseeching him to restore their health."

In this arraignment pressure and pace qualify as public enemies. The doctor's picture of man power in ruins is a warning of mortuary liquidation.

Ask the folks who endure how they have managed to reach life's Cape of Good Hope, and you hear much of moderation as a first aid to a tolerable old age. Even the perversities have their various and valid testimonials. No one pattern is attractive enough to appeal to all prospects for extra dividends of time. For the man who has seen everything, done everything, there is no fear of an untimely foreclosure by fate. What is one man's longevity is another man's boredom.

## Markets "made in Japan"

STILL green in the memory of men now at the helms of American industry are the visits of foreign missions who came to these shores to see how we did things, to question and to compare. For contrast, suggestive if not conclusive, is the proposed trip of cotton goods experts to Japan to try to work out a voluntary agreement with Japanese producers. Decision to deal directly with the representatives of a foreign country, whether or not it is the first on record, invites public attention to a situation in which the domestic industry is hard beset by foreign competition. Apparently no solution of its problems is in view except possible "discriminatory legislation" by Congress.

Japanese competition, by appraisal of Dr. Claudius Murchison, president of the Cotton Textile Institute, "has taken from us our once profitable export markets in Latin America and the Far East." More recently, he add-

ed, it has taken from the United States half of its export business to the Philippines.

Moreover, Dr. Murchison warned, "it is now probing aggressively for entrance into the home market and at a time when the industry has voluntarily diminished its competitive effectiveness by the substantial maintenance of code standards of wages and hours.

"Japanese competition, therefore," Dr. Murchison emphasized, "not only constitutes a threat to our prosperity; it is also a potential menace to our general social and economic standards."

Ominous as the problem may be, its very distinction seems likely to generate consideration which may proceed toward solution.

Where the cost differential between two countries is so great that remedial measures seem outside the bounds of customary foreign trade policy devices, decision to seek relief through private negotiations abroad rather than tariff action at home is at least novel.

## An old Swedish custom

COOPERATION is an old text with current meanings as various as the evangelists who sing its praises. From Stockholm comes a commentary which should clarify American thinking with regard to the reasons for the growth of the movement in Sweden. A correspondent writes the *Wall Street Journal*:

It should be mentioned that the entire expansion has been financed out of the movement's own means. Neither has it resorted to the savings of members entrusted to the savings bank department which have continually been invested in the state and municipal bonds, mortgage loans, etc.

If the Swedish institutions have had the advantages of aid or exemption, no suggestion of such privilege appears in the correspondence. On the contrary, the conditions reported direct the conclusion that the Swedish cooperators have made their own way without dispensations from public authority.

No one is likely to grudge or contest the progress of self-help societies so long as they advance through their enterprise and good management.

When their success depends on subsidy by the rest of the community, they are vulnerable to the charge that their benefits are possible only when operation is sustained by the beneficence of government. Well has it been said that "planned economy" expresses the individual best when he and his fellows plan what they will do for themselves and not what others shall do at their behests.



## WHEN YOUR FIRST BABY CAME—

### Did You Have to Borrow to Pay the Bill?

Most wage earners need extra cash at times to meet emergencies — At Household Finance they can borrow without embarrassment and at reasonable cost

● How proud you felt when your first baby was born! But with your joy and pride probably came money worries—how to pay the doctor, the nurse—all those emergency expenses of parenthood that you couldn't meet out of current income.

Today many of your employees have the same money problems that troubled you when you were still on the way up—before you had had time to accumulate reserves. Births, deaths, accidents, unexpected losses—to meet these demands for cash you can now borrow, on negotiable collateral at your bank. But many families—many of your employees—can offer only their promise to pay. Someone must loan to them on their future earning capacity.

Household Finance gives these people a place to borrow on a dignified, business-like basis. During 1936 it made more than a half million loans to small-salaried families in need of cash for emergencies.

### Families returned to solvency

To thousands of families Household Finance rendered another important social service. Our "Doctor of Family Finances" encouraged and promoted Home Money Management—showed families how to budget their incomes, how to buy better, how to return to solvency by stopping money leaks. Aided by this counsel many of these families succeeded in getting out of the financial rut for good.

We believe that executives interested in the welfare of their employees will find samples of the publications used in this educational work interesting and revealing. We will gladly send you copies without obligation. Please use this convenient coupon.

## HOUSEHOLD FINANCE CORPORATION

and Subsidiaries — one of the leading family finance organizations, with 214 offices in 148 cities

HOUSEHOLD FINANCE CORPORATION, Dept. NB-1  
919 N. Michigan Ave., Chicago, Ill.

Please mail me without obligation booklets and full information on Household Finance's family reconstruction program.

Name.....  
Address.....  
City..... State.....



DOUBLE EAGLE AIRWHEEL

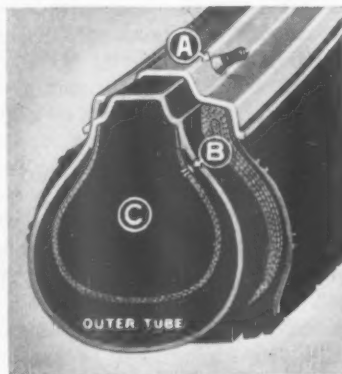
**W**ELL may you pride yourself if your precious ones are doubly protected against the perils of blowouts or any other tire hazard by Goodyear Double Eagle Airwheels\* and LifeGuard\* Tubes. Yours then is the satisfaction, yours the peace of mind of knowing that they are armored against danger by the finest tire safety equipment now purchasable in the world! That has been proved conclusively by weeks of torture tests at top speed on blazing-hot Bonneville Salt Flats, the world's fastest speedway. As anyone would expect, these definitely super-standard products cost a little more; in fact, their appeal is the direct opposite of cheapness—being built not to save money but to save life.

\*Trade-mark Registered

**MORE PEOPLE RIDE ON GOODYEAR TIRES THAN ON ANY OTHER KIND**

### GOODYEAR LIFE GUARD TUBE

- A** Look for the yellow valve stem and blue cap.
- B** LifeGuards\* take a little longer to inflate because air passes gradually from "inner tire" to outer tube through this VENT HOLE.
- C** On this two-ply "INNER TIRE" you ride to a stop with car under control, even though casing and outer tube blow wide open.





# NATION'S BUSINESS • A MAGAZINE FOR BUSINESS MEN

## The Larger Duty of Citizenship

**T**WO FANTASTIC SUGGESTIONS, if we are not careful, may come to be accepted as fact. One is that business cares more about politics than trade; the other, that there is a No Man's Land between business and government.

In recent months there has been too much talk of "business capitulates," or "business fights"; too much talk of "a breathing spell," and "no reprisals."

The popular idea that business and government are belligerents, or that their relations are those of courtier and sovereign, is mischievous. Both should disclaim such a conception.

True, business men have given more attention to the publics they serve than to their "public relations." They have failed to interpret their policies and practices to employe and customer. But, whatever their shortcomings, the real leaders of business understand that economic principles are not nullified by political weather.

The fact is that economics has no politics. Business knows at first hand the tremendous complexity of its own operations, the puzzling interplay of credit, tariffs, foreign relations, currencies, taxation, war and countless other factors. Public officials themselves, away from the heat of politics, surely must realize as clearly as those engaged in business how imperfect their administration, how ineptly democracy fumbles at the stops and keys of the delicate and complex instruments of modern trade.

When business men contribute their counsel of experience to national problems, it should be received at face value, not damned by attributing selfish motives. There is no monopoly of good citizenship. Those engaged in trade are as eager to see the general welfare advanced as any "welfare worker." Difference of opinion lies in the method, the right road, the quickest route.

Conscientious officials welcome discussion. They recognize that every administration needs questioning, not only in the public interest, but also for its own good. It needs to hear the objections. It needs the clarification of policy which comes from having to explain what it is doing. It needs protection from its own courtiers and car-

pet-knights, its trucklers and time-servers. It needs protection from the delusions of its own unexamined premises, from the conceit that, soon or late, afflicts the human animal when every one around him says "yes."

In sum, every administration needs continuous debate, in which the principles and measures it is using are thoroughly questioned, thoroughly aired, and thoroughly explained.

NATION'S BUSINESS, as typifying business thought, policy and practice, has been called many names. One, we like best. During the heat of the recent political controversy, when this magazine was mentioned, an official high in administration circles said, "It's critical of *every* administration; it's 'His Majesty's Opposition'."

That opinion defines an enduring vigilance, but it unhappily omits the support and approval business men give to policies in the public interest.

The attitude of NATION'S BUSINESS is now, as it has always been, that the government of the United States is entitled to the support and co-operation of its citizenship. That rule is universal. But it works both ways. The government is entitled to the expression of honest criticism, based upon fact and experience, regarding any steps that it may take. As long as the criticism is honest, business is likewise entitled to consideration on the part of government.

Where good-will rules the relations of government and business, understanding proceeds from the premise that the public interest implies mutual responsibility and cooperation. This is a worthwhile partnership; and to question sincerely ways and means should not impair its effectiveness.

Twenty years of experience in rubbing elbows with Washington officialdom have taught us that public servants, who are at heart really servants of the public, relish the chance to air their policies and justify their practices. The others, in the long run, do not count.

*Merce Thorne*





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The primary decision as to what shall be done will be made by President Roosevelt

## What's Ahead for Congress

BY TURNER CATLEDGE

Of the Washington Bureau, The New York Times

**W**HEN the first session of the Seventy-fifth Congress convenes on January 5, it will already have before it a legislative program which would stagger an ordinary Congress under anything like ordinary circumstances.

Before it turns attention to a single new item, in fact, while it is making preparations for the second inauguration of President Roosevelt, Congress must turn attention to many important acts which expire automatically in the early days of the New Year, and which, in the opinion of many persons, must be continued if the Government is to proceed with its present general policies.

It must decide in the first 25 days of its life whether it will continue the power of the President further to reduce the gold content of the dollar within the limits it already has set. It must make up its mind in the same time whether he is to be continued with the authority to use the \$2,000,000,000 stabilization fund to protect American currency in the world marts.

It must determine, too, whether and to what extent

**IN** the first 25 days of its life the new Congress must tackle a program which includes nearly every new government activity and vitally affects nearly every private interest

the vital functions of the Reconstruction Finance Corporation, widely hailed as the greatest single government aid to private business, is to be extended, and if the authority of that agency to make loans to industrial and commercial business who cannot find adequate credit elsewhere is to be renewed.

Sometime in its teething days the new Congress must provide for the prematurely depleted work relief fund, if the Government's relief activities are to be continued even on a reduced scale until the end of the present fiscal



year. And by the end of the fiscal period on June 30, it must decide whether it is to continue, abandon or revise the list of excise and "nuisance" taxes which produce nearly \$500,000,000 annually in federal revenue, but which, frankly, are held in neither financial nor political pride by the Administration.

By May 1, Congress must have decided whether to renew or revise the present Neutrality Act, designed to steer the United States clear of international conflicts among other countries, and, by June 12, it must determine whether it will extend or let expire the President's three-year authority to negotiate reciprocal trade agreements, based on tariff concessions, with other powers.

These are only the high spots of a list of nearly 50 different acts, not including the regularly recurring departmental appropriation bills, which the new Congress will have brought to its attention automatically by their own dates of expiration.

In their sweep they include nearly every new activity of the Government, and in their nature they deal with subjects vital to private interests throughout the United States.

In addition to the statutes that automatically expire, there are others for which repair orders are already in the making, including such important laws as the Social Security Act; the Revenue Act of 1936, with its coercive levy on undistributed corporate profits; and the Soil Conservation Act of 1936, which administrators want to amend to embody the principle of crop insurance, and also to revive the idea of crop control as embodied in its outlawed predecessor, the Agricultural Adjustment Act.

Congress also is almost certain to be confronted with proposals for revision, if not repeal, of the Robinson-Patman Act, designed to place chain stores and private businesses on a more equitable competitive basis, and the Walsh-Healey Act, prescribing wage and hour conditions in government contracts.

### Congress must act

TO SAY that Congress will itself decide the disposition of all these matters is to state only a small portion of the case. The primary decision as to what may be done about them will be made by President Roosevelt; but as they must have a definite place on whatever program he submits for legislative action they become a great part, and the most immediately pressing, of the tasks which the new Congress must face.

What the legislative program will include besides renewal and repair of these expiring and incomplete acts is at present only a matter of conjecture. In his recent campaign for reelection, the President laid the groundwork for almost anything he might want to ask of the new Congress. He prepared the way for wholesale reform of the fiscal system. He opened the gate for further regulation of business, for acts dealing with wages and hours of labor. He wrote for himself a blank check on additional aid to agriculture, on flood control and conservation. In his final speech in New York City, impetuous though some people thought it was, the President presented a skeleton outline of his future intentions:

Of course, we will continue to seek to improve working conditions for the worker of America—to reduce hours overlong, to increase wages that spell starvation, to end the labor of children, to wipe out sweatshops. Of course, we will continue every effort to end monopoly in business, to support collective bargaining, to stop unfair competition, to abolish dishonorable trade practices. . . . Of course, we will continue our efforts in behalf of the farmers of America. . . . We will persist in successful action for better land use, for reforestation, for conservation of water all the way from its source to the sea, for drought and flood control . . . for definite reduction of farm tenancy, for encouragement of farmer co-operatives. . . . For all these we have only just begun to fight.

We are not concerned here with what the President intends now to do to fill in this skeleton outline with legislative realities; some observers think he has been sobered into conservatism by the extent of his election majority, others think he will accept the popular approval at the polls as a mandate to race ahead with an enlarged reform program.

Our only concern at present is with the possible legislative task which this gives the Administration and Congress.

The things which Congress must face right at the start, the revision it doubtless will attempt on bills it has already hastily shoved through, the possible new legislative program of the President, however short it may be, and the regular routine that is the task of every Congress—all these presage a long and trying session ahead.

And as if this were not enough, the New Deal managers are more conscious now than ever that just across the plaza from the Capitol sits the Supreme Court of the United States, whose actions last year gave Congress some of its most difficult jobs, some of which, incidentally, still remain to be completed to the satisfaction of those most actively concerned.

Whatever the Court may do with the cases now before it, involving such measures as the Wagner Labor Relations Act, the Securities Exchange Act and the Public Utility Holding Company Act of 1935, Congress cannot even begin to think of an adjournment date until



Across the plaza from the Capitol

after the Court's nine members are safely off to their summer retreats.

In fact, it will not feel sure of its actions in many premises until the Court has indicated by its decisions on the cases now pending its views on the legislative course which Congress may be following.

In light of these factors, at least one thing can be predicted for the first meeting of the new Congress:

It will continue well up into the summer and possibly



into the fall, and the Architect of the Capitol evidently had that view when he rushed to completion the cooling system which the last Congress voted out of memory of the hot months it spent in Washington.

From the standpoint of far-reaching political significance, no Congress in a generation has held the interest this new one will command.

In it the old and new concepts of government may come to grips on more even terms because of the general economic improvement in the nation, and, specifically, the elements that contributed to the astounding victory of Mr. Roosevelt at the polls, and delivered to him the largest majority ever commanded by a national leader in either House of Congress, may each find something like its true value.

It may well be demonstrated, for instance, whether it was labor, the farmers, the recipients of federal bounties or the general economic revival that contributed most to the result; or it may be shown, as most unbiased observers believe, that it was a combination of all.

During the session of Congress that is about to begin, these various forces will be jockeying for position, each trying to find itself and to make for itself a place for the future.

Party realignments will be talked of and watched for more than in any Congress for the past 25 years. It will be doubly interesting to see whether, out of all this, can be developed a real "era of good feeling," wherein all of these forces may pull together for a practical realiza-

the coinage of gold and silver at this ratio, will expire January 30. There seems little doubt that this will be continued.

By expiration of the same act will also pass the President's authority to use \$2,000,000,000 of the so-called "gold profit" as a stabilization fund to protect American exchange and currencies in the world markets. Retention of this authority is considered of prime necessity now, since the United States is allied with other large powers in a "gentleman's" agreement to maintain a parity among their currencies (see page 18, this magazine), chiefly by the use of such means as the American stabilization fund.

It may be safely predicted, therefore, that this power will be continued.

#### Federal Reserve notes

ANOTHER monetary act expires a little later, the one which permitted the Federal Reserve Board to issue Federal Reserve notes on the basis of obligations of the United States Government as well as on commercial paper arising from business transactions of a quickly self-liquidating character.

Whether this will be continued, as it has been from time to time, is somewhat in question. It was one of the safety devices of the depression and may be retained as such.

The Reconstruction Finance Corporation's lending



FAIRCHILD AERIAL SURVEYS

sits the Supreme Court whose actions last year gave Congress some of its most difficult jobs

tion of Mr. Roosevelt's aspiration for a "more abundant life" for all the people.

In dealing with the problems recurring with the expiration of many of the emergency acts, Congress will face, almost at the start, the monetary question. The law by which the President is empowered to vary the gold content of the dollar between 50 and 60 per cent of the former standard, to fix the weight of the silver dollar at a ratio in relation to gold, and to provide for

powers expire February 1, and the particular authority of the Corporation to make certain loans to industrial and commercial business goes out a day earlier. Officials have indicated that they will ask an extension of both.

One can hardly resist a prediction that the Administration may be in for more difficulty if it attempts again to curtail the Civilian Conservation Corps, authority for which expires March 31. Anyone who witnessed the

(Continued on page 68)

# Readjusting the World's

BY EDWIN WALTER KEMMERER

Of the International Finance Section, Princeton University

ON September 25 the long-expected breakdown of the gold standard in France was officially announced. Euphemistically speaking, the French Government announced that it was recommending to Parliament "the readjustment of its currency." Similar announcements from Holland, Switzerland, Italy and Czechoslovakia promptly followed.

Simultaneously with the French announcement, the

governments of the United States, England and France announced that they had reached an agreement in the interests of international exchange stabilization. Although the pronouncements in the three countries were not identical, they were essentially the same.

The purpose of the agreement, according to Secretary Morgenthau's announcement, was to maintain "the greatest possible equilibrium in the system of interna-

tional exchange." The three governments agreed "to avoid as far as possible any disturbance of the basis of international exchange resulting from the proposed readjustment" of the French currency system. They said they attached "the greatest importance to immediate action to relax progressively the present system of quotas and exchange controls with a view to their abolition." Other countries were invited to cooperate and Belgium, Switzerland, and Holland have subsequently undertaken to do so.

## Gold movements

ON October 13, a supplementary agreement was announced. The American announcement declared it to be the "intention" of the United States to "sell gold for immediate export to, or earmark for the account of, the exchange equalization or stabilization funds of those countries whose funds likewise are offering to sell gold to the United States," provided that the terms and conditions were satisfactory to the United States. Sales were to be made exclusively through the Federal Reserve Bank of New York, acting as agent for the Treasury Department, and the rate for the time being was to be \$35 an ounce plus a handling charge of one-fourth of one per cent.

On the same day it was



PHOTO CARTOONS BY GEORGE LOHR

Recent international trade restrictions have been due in no small part to monetary disturbances and exchange fluctuations



# Currencies

**FLUCTUATION** of monetary standards, even in other countries, has a serious effect on the operations of American business men. That is why the recent international agreement is of interest

announced that Great Britain and France had complied with the conditions of the agreement and that the plan was in force among these three countries.

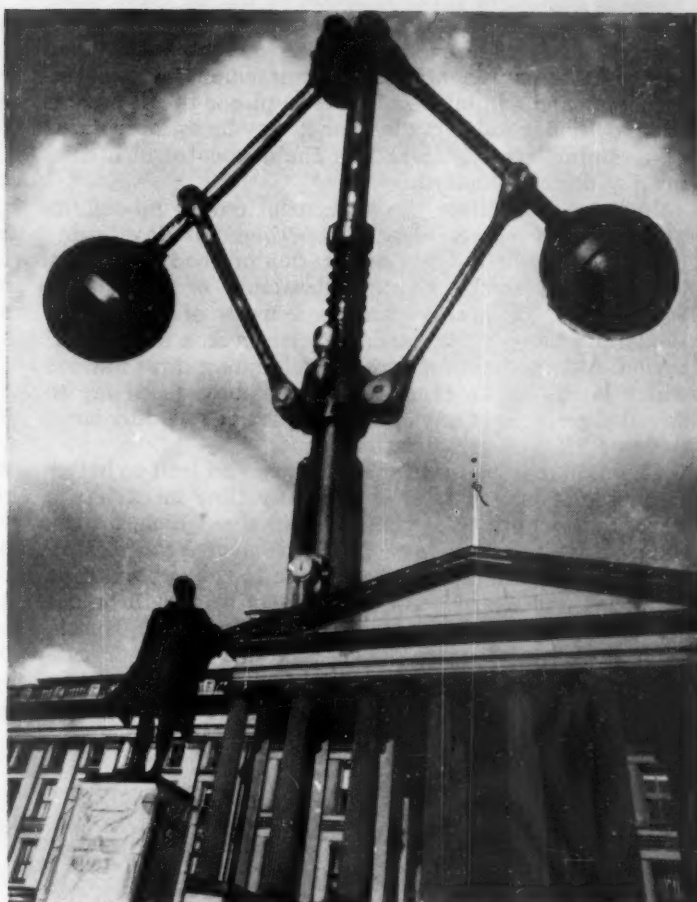
This supplementary arrangement was not a surprise to persons familiar with the subject because it had been long realized that if and when France should go off the gold standard some such arrangement would be a necessity if international gold settlements were to be carried on. The reason for this was briefly as follows:

A United States Treasury regulation had long provided that gold could only be exported from this country to gold standard countries that maintained fixed buying and selling prices for gold, because only from such countries could the United States reasonably count on getting gold whenever the flow of gold under natural economic forces should be toward the United States.

The only countries that qualified under that arrangement were France, Belgium and Holland, and of these France was by far the most important. England was, of course, not included. France itself did not impose restrictions on the exportation of gold and our gold payments to other countries, so far as they involved exportation of gold, were usually made by way of France. Willingness of the Bank of France to make gold available for export, therefore, provided a basic point of reference for gold values, and for the transfer of gold credit among the other countries.

When France, Belgium and Holland went off the gold standard, this whole arrangement broke down. The supplementary agreement, therefore, announced by Secretary Morgenthau on October 13 was to take its place. It provided a new clearing arrangement for gold settlements among the three countries and invited other countries to join. The arrangement will permit each of the three countries, operating through its stabilization fund, to convert balances which its fund owns in the other two countries into gold at the agreed upon rate and either to earmark the gold abroad for its own account or export it from the country.

In practice it will probably result in practically limit-



The Treasury's aim is to maintain "the greatest possible equilibrium in international exchange"

ing the gold movements among the countries concerned to those affected by stabilization funds and other government agencies. The supplementary agreement was, therefore, in effect, little more than an implementing of the first agreement.

The real substance of the two agreements consists of three items:

1. The three most important countries in the world, from a monetary point of view, are actually cooperating in a plan looking toward exchange stabilization. Considering the breakdown of the World Economic Conference three years ago and the chaotic condition of the international exchanges in recent years, this in itself is a real step forward.
2. The plan provides the machinery for international clearing and the basis of international settlements in terms of gold.
3. The plan includes a declaration of intention to reduce the great volume of international trade restrictions that have grown up in recent years and which have been due in no small degree to monetary disturbances and resulting exchange fluctuations.

## Equilibrium rather than stabilization

THERE are certain things, however, which the stabilization agreements do not provide. In the first place, they do not prescribe the monetary basis upon which international stabilization is to be effected. They look toward the maintenance of an equilibrium in the exchanges but they say nothing whatever with regard to the all important question of the type of monetary unit or standard of value upon which that equilibrium is to be maintained. So far as the agreement itself is concerned, the basic plan might be a gold standard, a silver standard, a bimetallic standard, a price index number standard or any other kind of highly managed currency. Obviously, exchange rates could conceivably be kept in equilibrium

under a regime of rapid inflation or one of rapid deflation as well as under a regime of stable commodity prices, provided only the general price movements were equal in the different countries. The agreement may be interpreted and administered so as to please the advocates of an orthodox gold standard or it may be so interpreted and administered as to satisfy the advocates of a commodity dollar standard.

In the second place the agreement covers no definite period but is merely a *modus operandi* for day to day operation, coupled with a declaration of good intentions. The terms "exchange stabilization" or "exchange equilibrium" ordinarily connote a fixity of value relationship among different currencies over a substantial period. A "stabilization agreement" among three nations which is subject to cancellation or change from day to day at the option of any one of the parties certainly lacks the essentials of stabilization.

The plan may endure for some time and lead to better things or it may break down at any time in exchange wars, as a result of the artificial stimulus which, for the time being, the monetary devaluation of France, Holland, Switzerland and Italy will give to the export trade of those countries. The question as to what will be the monetary policies of countries like Germany, Russia and Japan in a situation of this kind is a matter of serious concern.

The new French monetary law authorized the Government to reduce the gold content of the franc by any amount from approximately 25 to 34 per cent. A similar law in Switzerland authorizes a reduction in the gold content of the Swiss franc of from 30 to 40 per cent. In Italy the reduction in the gold content of the lire will be somewhere between 40 and 50 per cent. The Netherlands has announced no definite percentage debasement and the guilder for the time being will be permitted to float in the exchange market.

In nearly every country devaluing its currency, a stabilization or equalization fund is being created out of the so-called profits of devaluation—the nominal difference in the value of the gold reserves as expressed in terms of the gold content of the old monetary unit and the value expressed in terms of the actual or tentative new one.

The gold holdings of the Bank of France, for example, were revalued on the basis of a reduction of the gold content of the franc to 74.8 per cent of its former value, creating a "gold profit" of about 17,000,000,000 francs which was assigned to the Government. Of this amount, 10,000,000,000 francs—approximately \$466,000,000 at current rates—were set aside to establish an equalization fund to be administered by the Bank in such a manner as to maintain the value of the franc between the limits established under the Act.

The exchange operations and gold movements effected through these huge stabilization funds, will be controlled by the respective governments and for the most part operated secretly by the central banks of the different countries.

All in all, it is my judgment that the recent devaluations by the countries of the gold bloc and the international stabilization plan represent steps toward monetary stabilization. I believe further that the logic of events will, in due time, force the international monetary stabilization to be effected on the basis of gold. The reasons for this latter judgment may be made clear by a brief retrospect.

### Seeking the gold standard

WHEN the World War broke out in 1914 nearly all of the advanced countries were on the gold standard—a standard at which they had arrived after centuries of trial and error with other standards. The gold standard was not working perfectly but it was proving so much better than the previously widely used silver standard, bimetallic standard and managed paper money standards that the consensus of opinion was that the gold standard was the best monetary standard that had yet been developed, and that the real problem of the future was not the problem of replacing the gold standard by some other standard but of making the gold standard a better international monetary standard.

During the period of the World War and the two years immediately after it, monetary standards broke down practically everywhere. Every country on the gold standard gave it up and, although the United States departed from it less than any other country, even we restricted the exportation of gold. But other monetary standards broke down as well and even countries that entered the war period with managed paper money standards experienced great monetary depreciation.

With the close of the war the world was determined to return to the gold standard as soon as possible. This would obviously mean a large increase in the demand for gold and, in consequence, a great fall in commodity prices, if pre-war monetary units were used. There would be nothing like enough gold to go around if the world were to return to the gold standard at the high American price level of

1920. In late 1920 and early 1921 the expected price collapse came and in one year our American wholesale commodity price level dropped about 44 per cent, representing an increase of approximately 80 per cent in the value of gold.

This increase in the value of gold greatly stimulated

(Continued on page 75)



Although nothing in the agreement requires it, the logical outcome is a return to gold



# A Conversation with Presidents

BY ERWIN HASKELL SCHELL

Department of Business and Engineering Administration  
Massachusetts Institute of Technology

IT IS my responsibility to know industrial presidents. With 1,500 graduates of my department progressing toward major executive posts I should be intimately acquainted with the precise nature of duties which my students are subsequently to shoulder.

And my point of view cannot be limited to these friendships. Over my desk flows a steady correspondence from past undergraduates. Through the tabulating machines, the statistical details from their industrial records reveal the training policies of many corporations. The figures point unemotionally to those companies which aim to exploit intellectual discipline and industrial inexperience—those companies which flood their organizations with discontented graduates so that fear of replacement may spur the mid-zone executives.

But these disclosures are exceptional. Much more frequently I find the reflection of a policy which makes me wish I were beginning again—so fascinating and promising are the avenues held open to these young men.

Only two days ago, a vice president from the Mid-West was brought into my class to tell a story of extraordinary industrial foresight and enterprise. Yet it was not so much this achievement which explained the invitation, as a letter from one of our men:

This organization is the world's best outfit, bar none. I am delighted with the company and the town. I am ready to



CARTOONS BY EDMUND DUFFY

A management engineer is introducing the observation of a "Quiet Hour" in which executives are urged to attack their hardest problems

settle down for life. The personnel is just what you would expect: well trained, efficient, young, on its toes and friendly. This is the kind of company you read about but never expect to find in actual existence.

I wanted the undergraduates to see the type of executive who makes such letters possible.

## Companies that appear dead

AND yesterday came the story of another graduate. An old, honored and complacent company faced with a young and spirited competitor—sales dwindling in ratio, though rising in volume on the present flood tide—the abler men resigning—indecision and lethargy in the air.

"It's beginning to get me, too. That's my worry and I tell you it hurts when your classmate in investment banking says, 'I understand on the Street that most of the execu-

tives in your company are dead from the neck up'."

It does hurt. Why should such statements find basis in our older American establishments? We don't hear them applied to the newer companies. I am talking, at this moment, to industrial presidents. I ask you:

"Have you, in your organization, any associates of more than 45 years who are dead-from-the-neck-up?"

Of course you haven't—not many. Then may I ask another question:

"Are you sure that they do not appear to be so to others?"

I am convinced that prestige, if not credit standing itself, demands that executive thinking power be more than real; it must be evident. The day when carefully brushed whiskers behind a roll-top desk was the only apparent symbol of industrial wisdom is gone.

Of course, it is simple to say,

"When I find an executive plateauing, I retire or dismiss him."

But do you?

Stock ownership, family relationships, or the recollection of past services often stand in the way. More than this, *should* you? Just why did he get that way? Did you have any hand in it?

I happen to conceive it an inescapable part of presidential responsibility to see that executive activity is maintained at a level above the collar-line. Do not misunderstand. I am fully aware that many mental routines are graced with the name of thought; that many executives go through the acts of automatic response to repetitional situations that give the semblance of real cerebrations. But to me, thought means something more. It means the wrestling out of new knowledge. It means the pitting of action not only upon experience, but upon disciplined imagination. In short, true thought infers and confers intellectual advance.

One fact is sure. You cannot bring about this condition unaided. I have seen presidents attempt, through conference, conversation and example, to stimulate their associates to action; but it is only the exceptional administrator who succeeds by this method. Fortunately these responsibilities may be implemented. The devices are prosaic, but their effective-

ness explains their growing application by acute presidents.

A good many years ago, as a management engineer, I was frequently surprised by the rapid change of sentiment in high quarters toward the installation of production standards. At the outset there was always concern over possible repercussions from employees, the disturbance of artisanship and other things. As the work proceeded, the tenor of comment would suddenly change to the inquiry, "How soon will we have a complete picture of possibilities through standardization?"

### Encouraging thought

SUBSEQUENTLY, I discovered that the major executives had found in the prospective standards the first device which would enable them to present to their foremen the necessity for thought. Once they knew departmental possibilities, the question "Why, specifically, do we not attain them?" offered itself as a real catalyst to creative analysis.

Here, indeed, lies the deeper significance of the standard, the quota and the budget. Executives operating under these auspices must perforce think creatively. To prepare a budget brings one at once to grips with future realities. To maintain the budget, with due regard for its proper

flexibility, demands reasoning of more than average order. Here lies the secret of the constant advance of budgetary practice in every industry where the concept has gained foothold.

A second device to contribute an extreme aliveness to organization has been the advent of the yearly model. This major annual change enforces an acceptance and absorption of the new that, in itself, stimulates a high mental potential. I am told that the leader of one of our foremost organizations has asked each department head to prepare for the coming year his new model of management within his department, following the general procedures used in the periodic introduction of the new product.

Of course, the conference has been widely used as a stimulus, but unless action habitually follows, discussions may become pointless. The effectiveness of the conference may be measured by the question, "How much preparatory thought was necessary?"

One president of my acquaintance routes minutes of all such meetings through an assistant who measures the intervals between the introduction of a subject for discussion, and the agreement upon future action. Too protracted interims are cause for administrative inquiry.

A further specific is based on the  
(Continued on page 72)



Stock ownership, family relationships, or the recollection of past services often stand in the way of retirement of executives



# An Industrial Youth Movement

BY HERBERT COREY



The senior model coach combines features of those used at Napoleon's coronation and wedding

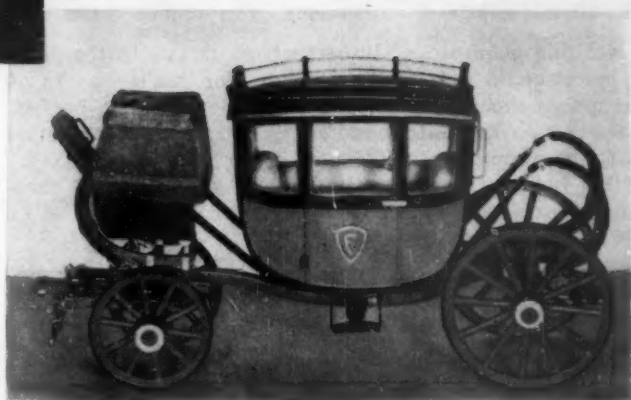
I HAVE just been looking into a world of almost unbelievable precision and beauty in which boys are the principal actors. In more than 2,500 schools about 350,000 boys are building model coaches in which Titania herself might be proud to ride. The four boys who construct the four finest will win four cash prizes of \$5,000 each. There are 820 other prizes.

That paragraph obeys the rule for reporters which used to be insisted on in the old *New York World*. "Terseness, Accuracy, Terseness." It was unbelievably hard to write, because I found myself going all poetic. The temptation was to tell of the opening of the door of opportunity to boys before whose faces it might otherwise remain closed, and of the encouragement of that regard for patient and beauty-loving craftsmanship on which all mechanical engineering is founded and of the by no means minor miracle that so many lively boys give their spare hours to a task that is worthy the energies of a master workman.

The temptation will be yielded to later. For the moment, the essential facts will be presented, just as the coach-building boys assemble their bits of wood and leather and metal before they begin work.

The model coaches on which the boys are working are copies in miniature of the superb vehicles built for royalty when coach building was a royal craft. The Junior Group of boys, aged from 12 to 16 years, tries to make replicas of Napoleon's travelling coach, a vehicle which combined all the luxury possible in his day with the sturdiness demanded by rough roads and long campaigns. Armed with the experience thus gained they undertake to model a court coach when they join the Senior Group, made up of boys between 16 and 20. The

THE story of a youth movement with a commercial tinge in which 350,000 youngsters are taking the hard way, from choice, to prove their right and desire to get ahead



The Junior Group of boys makes replicas of Napoleon's sturdy travelling coach

specifications are a composite of the features of the coach Napoleon used at his coronation and the one in which he rode with Maria Louise when the Austrian princess became his bride. The competitors are required not only to build accurately to the scale for models which have a wheel base of 12 inches, but to add that final touch of beauty which tells of the artist in the craftsman. To quote Technical Director Frank C. Riess:

"A coach that is simply a mechanical reproduction lacks the thing that goes to make a winner. It is in the artistic side that individuality plays an important part."

In 1936 prizes totalling \$50,000 were awarded by the Fisher Body Craftsman's Guild. In addition to the four \$5,000 scholarships there were 802 state and regional awards—16 in each state and the District of Columbia—plus 18 all-expense trips to the Guild convention held at Cleveland in August. The Guild members who submitted complete coaches in either the Napoleonic or the travelling coach competition received a certificate of craftsmanship. The attention of future employers is directed to the young men who hold such certificates, even if they won no prizes in the competitions.

"All coaches," to quote Mr. Riess again, "are judged in accordance with a standard form sheet, which lists

more than 200 different items that must be measured, compared, and evaluated. Each model is first judged alone and then by comparison with others, part for part and detail for detail."

### Well known men act as judges

NOT many coaches rate as high as 90 per cent. That is not an indication of inefficiency on the part of the young builders, but of the high order of excellence demanded of them. The final judging is done by men who are at the very top of their profession. The semi-finals had been judged by technical experts, but when the best of the coaches built by the 350,000 youngsters had been selected, 14 judges were picked whose names are known from one end of the country to another. They are:

Thomas S. Baker, president of Carnegie Tech; M. L. Brittain, president, Georgia Tech; H. V. Carpenter, dean of mechanical arts and engineering of the State College of Washington; Karl T. Compton, president, Massachusetts Tech; M. E. Cooley, dean emeritus of the college of engineering, University of Michigan; George T. Davis, Jr., dean of the college of engineering, University of Alabama; Augustus Frigon, director general of technical education, Province of Quebec, and dean of the Ecole Polytechnique of the University of Montreal; E. A. Hitchcock, dean of the college of engineering, Ohio State; D. S. Kimball, dean of the college of engineering, Cornell University; P. R. Kolbe, president of Drexel Institute; R. A. Millikan, president of California Tech; C. H. Mitchell, dean of applied science and engineering in the University of Toronto; R. L. Sackett, dean of engineering, Pennsylvania State College; and the Rev. T. A. Steiner, C. S. C., dean of the college of engineering, Notre Dame University.

Nothing scamped or imperfect or untrue to template or spirit could get by that board. The hidden parts of the mechanism must be, if possible, even more perfect than the parts that show. In that reverent care true craftsmanship is to be found.

"My boy did not lose that prize on the level," complained a cabinet maker in Michigan. "He was jobbed. I

tell you, I know my kid. I know the quality of his stuff. I taught him myself. They framed him. A fine hell of a note, if you ask me, cheating a kid out of a prize that he worked for all year—."

There was only one thing to do with this man. He was permitted to examine the coaches sent to competition by the boys who had defeated his son. He studied them, paint and varnish and upholstery and metal work. At the end of the day he nodded his assent.

"They beat him on the square," said he. "They had something he didn't have. I thought he was good—and he is good—but they're better."

This Fisher Body Craftsman's Guild is the most interesting Youth Movement that I have seen, because the youths are doing the moving themselves. They have older brains to help them, it is true. Their elders fixed the terms of the competition and gave the instructions and offered the prizes, but the boys worked out the rest for themselves. The Guild would not last overnight if the boys were not interested in it. It would go to pieces if the boys themselves did not live up to the pledge of honor which they take. A winning cheat would poison the whole plan. The Guild would not interest the boys if the work were easy. That's one of the things that parents sometimes refuse to believe.

"It might be all right for some boys," say these pessimists, "but not my boy. You couldn't keep him interested. He'd be doing something else in a week. Too lazy, too. He won't work."

Sometimes W. S. McLean, the secretary of the Guild, is able to get one of these discouraged parents to face him long enough to sob out the story that his boy is no good. Mr. McLean has learned to control his emotions. If he wants to use language on that kind of a parent no one knows it. He coaxes the parent along, gently, until he gets for the boy permission to do something that will interest him instead of something the parent thinks he should do. I judge that Mr. McLean



The boys accept the fact that he who begins a coach and doesn't finish it has been licked. Not all can construct fine coaches but those who finish a coach have won a battle



is by no means certain that parents are omniscient in dealing with their sons. But I would not say that about him. He has trouble enough now.

Some of the youngsters get their tools and materials from scrap heaps because their parents will not give them the few pennies needed. Sometimes the family literally has not the money with which to buy a file and sandpaper and glue. In most cases the father has no confidence in his son. He does not know the son. He gets home at night, tired from a day's work, and the son is merely a dearly loved object that is forever under his feet.

It is a surprise to find that, when the boy gets a chance, he possesses all those invaluable qualities of courage and initiative and industry which have made his Old Man a success.

"My boy didn't score a win in this year's competition," one father wrote, "because I got in his way. I kidded him and took his time and grunted at him, so the poor kid had to take his tools to the attic. But he did



KAUFMANN-FABRY

Each coach is checked on 200 items by judges who are leaders in the engineering field



William A. Fisher congratulates the winners of the 1936 master class model coach competition. The boys range from 16 to 19. Each gets a scholarship

so damned well that I'll see to it that this year I give him a chance."

One boy found a discarded gasoline motor on a dump and made the thing run so that he now has power. Another borrows the motor from his mother's washing machine. One youngster made his dies from a piece of metal picked up along the railroad track, and another utilized the handle of an old hearse door for his brightwork. They work with whatever tools they can find, for the Guild provides nothing. One has an old dental drill, and another the running gear of an old sewing machine, but for the most part they get along with pocketknives and files and ten-cent-store saws. They make their own mitre boxes and vises and cutting tables. In that way they learn craftsmanship as it should be learned—the hard way.

"They must excel in four crafts to win a prize," said

Mr. McLean. "Paintcraft, metalcraft, woodcraft, and trimcraft."

To translate that sentence, they must learn to use paint reverently and truly. It may never be employed to cover up a defect in the wood. The gay little coach that wins in a competition is always harmoniously and graciously painted.

"It must never look like a bandwagon," as Frank Riess says.

The metalwork must be true and fine. An ornamental design must be clearly incised and a doorstep must be a real step and not a mere blob that suggests that a step might be. The boys who

work with the wood soon learn to have a true affection for it and will discuss hickory and walnut and oak with the cabinet makers who take such pride in the work they do. The upholstery of a coach seat must be in every respect faithful to that of the original, even if the stitching must be done half a hundred times. Whoever examines one of these gem-like coaches will not find it hard to believe that the competitors work every spare hour during the school year.

John Ross Farquharson of Vancouver failed to win in one competition. But that year he graduated from night school, and that pushed him along so that the next year he could work at his coach every waking minute. That is probably not an exaggeration, because he carried it to the office of the Railway Express for shipment to Guild headquarters a matter of minutes

(Continued on page 88)

# Don't Overlook the

BY DR. IRVING J. SAXL

Consulting Physicist



The magnet with which we lift heavy metals may also be used to sort materials going through a chute

**I**NDUSTRY follows pure science in establishing new discoveries. All engineering is applied science. In this manner, what was originally pioneering work toward the deepening and broadening of our aspects of the universe, soon found practical, everyday life application.

When James Clerk Maxwell propounded in 1873 his theory of electro-magnetism, little was known in this field. But Maxwell, uniting the various experimental findings, gave the fundamental formulae upon which were based our dynamos, transformers, motors, loading coils for long distance telephony and an almost endless number of machines for the practical application of alternating current.

Moreover, the general electromagnetic theory of light laid the fundamentals upon which Hertz started his investigations of electromagnetic waves and Marconi originated his experiments from which the radio resulted.

In other words, today's highly developed electric industry goes back to investigations in pure science. It is interesting to note

MANY of the physical laboratory's discoveries in pure science have been put to practical use but others still await employment

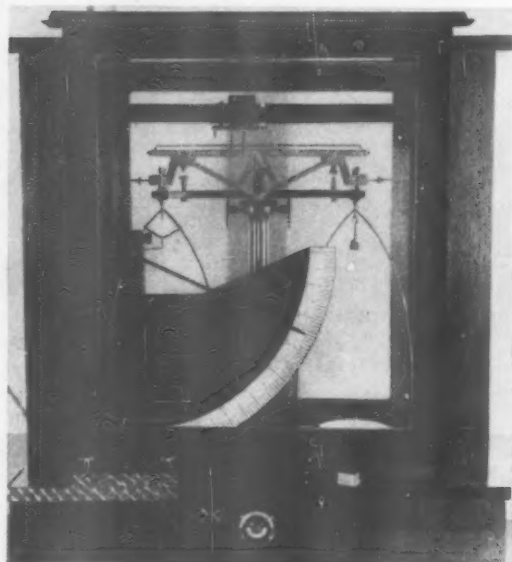
that, when these experiments were begun, hardly anybody realized their practical value.

Sometimes the layman is overawed when he learns of the new horizons which such scientists as Einstein, Compton and Millikan have opened to human thinking. Much more often, however, his reaction is:

"What does it mean to me?"

Few realize that, far beyond the space expanding and atom smashing theories that can hardly be understood by the average, today's physics builds a highly applicable and extremely useful avenue of approach for almost every field of technological progress.

Today the physical laboratory is what the chemical laboratory was in years gone by. It gives a stimulant to the industries that,



This device for measuring stiffness led to development of a new yarn



# Physicist

perhaps, may be compared to the introduction of chemistry in the Age of the Founders. Physical tests often give us a clear picture of an existing condition in a fraction of time required by other methods, and many times we can get results from physical tests that can be achieved in no other manner.

Take the instance of electronic amplification and high frequency techniques. From the early electron tubes and experiments for determining the elementary unit of electricity, in the realm of pure science, to today's highly advanced electronic industry, there is a comparatively short step of three to four decades only; and yet, from the early physical experimentation with electrons and high vacua, we arrive today at an industry that not only provides amusement and communication through broadcasts in our homes, but also finds useful applications for uncounted other tasks, from the generation and transformation of electric power to the control of this energy in such processes as electric welding.

In addition to giving us radio and telephone communication, the electronic sciences have entered the task of controlling machine operations.

They protect the operator's fingers in



Mirrors and light beams test thickness of yarns and save mills large sums

IRVING J. SAKL



EWING GALLOWAY

Testing color of coffee beans with special lights speeds the job and insures uniformity for the consumer



EWING GALLOWAY

Electricity hastens the welding and later tests the joint

power presses; they may constitute an invisible, always alert watchman for safeguarding valuables. Recording of sound for phonograph, radio and motion picture, measuring color from coffee beans to dyestuffs, automatic sorting and counting of products, from cigarettes to steel bars, are only a few of the industrial applications of electronic physics which are directly or indirectly encountered in practically everybody's life, and which are an outgrowth of pure physics.

Add to this such important medical applications of pure physics as X-rays, artificial radium, electro-surgery, diathermy and apparatus for helping the hard-of-hearing and we see that the

humble electron turns into a gigantic power that serves humanity, opening new avenues for the expansion of knowledge and the betterment of our progress.

There are many other instances where the physical sciences were used with results that at first seemed unbelievable. For instance, physical methods of underground explorations have taken the place of haphazard drilling. One recent application of physics in mining operations is the use of ultra-violet light by which veins of mineral deposits may be discovered in surrounding stone by the difference in the fluorescent light.

#### Magnets serve many uses

WITH changes of resistance in carbon and other materials, we transmit the voice and with the power of magnets we load ferrous metals, making manual tasks unnecessary. The same magnets that lift materials will also deflect a stream of minerals going through a chute so that all magnetizable matter is deflected and can be collected separately.

And it is applied hydrodynamics and aerodynamics that make travel by sea and air safe, fast and inexpensive.

It should be realized, however, that physics is as yet an extremely young science, as far as its industrial applications are concerned. Many problems in industry can be solved most satisfactorily by physical methods.

This applies to practically every industry. It is physical analysis that makes possible better alloys for the metal industry. Chemical analysis will prove that this or that material exists in a new metal but much depends on the form of this material—the size of the grain, its shape and structure, its interlocking qualities, the direction of its individual crystals and their hardness. All these physical characteristics determine to a large extent the final property of the material.

We all know that rolled steel has different characteristics from cast iron and yet, from a chemical viewpoint, they may be nearly identical. It is the arrangement of the micells, those small particles of atomic families that constitute the inner structure of materials. Because they cling together with strong "family-bands," they produce the hardness and toughness in metals, without which today's metal industry could not exist.

It is here where we benefit from the development of the intricate molecular theories, a pure science if there ever was one. All deep drawing, like that used in making pots and pans, and in building turret tops of cars, necessitates metals with atomic structure that will permit such plastic operations. Thus atomic problems are closely related to the requirements of our daily life.

Equally, synthetic plastics have to be not only of a chemical composition, but also must be handled in conformity with physical laws.

Equally, the testing and the analysis of materials has received a new impetus from the application of physical methods. With spectroscopic analysis, we break

down the composition of complicated materials quickly. Moreover, often it is sufficient to have such materials present in minute quantities only, or even in a state that they are not readily accessible such as within a metal melting furnace.

Going beyond the visible, X-ray spectroscopy pierces right into the heart of matter, revealing intra-molecular arrangements. Applications of X-ray photography and Roentgenoscopy are increasing constantly. Propellers of airplanes are tested for hidden flaws, the position of a wire imbedded in surrounding material is ascertained, the welding of the tubes in Boulder Dam is tested by X-ray pictures.

The physical approach to many problems frequently offers advantages that are not given by any other method. In many instances, the expert can develop methods of testing matter and manufactured material that will really reflect the working conditions of the finished product without destroying it.

It is not only the change in the chemical structure that concerns us in manufacturing products, but also the physical characteristics that are significant for most things.

Take the specific instance of a piece of textile material. Until about a decade ago about the only tests possible were made by rule of thumb methods. Age old techniques inherited from father to son, and believed to be secret, were used over and over again from the spinning mill to the weaver, and again to the dye-house.

Today, the physicist has started to analyze many of the phenomena, the control of which until recently, was up to the "instinct" and the "feeling" of the foremen.

#### Testing machines for fabrics

LET us try to follow the reasoning of some of these developments. We all know that a piece of cloth is composed of individual yarns. These may be woven in various patterns, but regardless of how they are handled later on, the character of this woven material will be determined by the character of the single filament. Obviously then, it is here where physical thinking starts.

Accordingly, instruments were developed to test the physical characteristics of individual filaments and yarns. Also the efficiency of various auxiliaries, such as gelatine, is extremely important. In one instance, a manufacturer using a new physical test method was able to save \$65,000 in six months in gelatine alone.

For measuring resistances to bending (stiffness), a loop of yarn or a small square of cloth is inserted into a hook of an analytical balance. Then, by turning this loop downward, pressure will be exerted upon the left scale of the balance. For a stiff cloth, more weight is necessary at the right side of the balance to return the scale to equilibrium, and less for a soft material. This quantitative knowledge of stiffness and resiliency for the individual yarn makes it possible to develop fabrics that lend themselves to the manufacture of cloth

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With the electric eye on guard, elevator doors can't close until passengers are safe



# Shall Workmen Share in Profits?

BY EDWARD S. COWDRICK

Counsellor on Personnel Administration



Albert Gallatin, a glass maker, introduced profit sharing in this country in 1794

**T**HE year 1936 saw a significant revival of interest in a subject which most people had thought was no longer an important element in American industry—the sharing of profits with wage earners. Several large corporations and a number of small ones announced new or revised profit sharing plans. In addition there came a whole swarm of bonuses and miscellaneous payments of extra compensation, all more or less directly related to company earnings. From a place of obscurity and almost of oblivion, profit sharing suddenly was advanced to a position of primary importance in the relationships between employers and employees.

In beginning a discussion of profit sharing it is well to know precisely what we are talking about. Few subjects have been more obscured by loose thinking and lack of definitions. Under a strict construction, the term "profit sharing" should be limited to arrangements under which employees receive, in addition to their wages, predetermined shares in the profits of the business. Within this definition would fall, for example, the plan of the Westinghouse Electric and Manufacturing Company by which the company's net income for three consecutive months determines the supplementary compensation employees receive for the next succeeding month. For each \$60,000 by which the company's monthly net earnings, as determined by the average of the preceding three months, rise above \$600,000, the employee receives one per cent additional in his pay.

But there are other plans which, although based upon company earn-

ings, do not fall within any accepted definition of profit sharing. For example, the Chrysler Corporation on November 6 announced a distribution of \$4,000,000, bringing the total extra compensation paid in 1936 to \$8,300,000. This distribution, made to 67,000 employees, was based on their wage rates and their length of service. There have been numerous informal bonuses of this kind. Strictly speaking, they cannot be called profit sharing plans, but the relationship is so close that the two types—and the many other varieties that fall somewhere in the twilight zones between them—properly may be considered together.

## Profit sharing and bonuses

**T**HERE is another line of difference that cuts across both true profit sharing plans and bonuses. That concerns

the incidence of the distribution. Some plans are limited to executives, others to wage earners, and still others benefit all classes of employees indiscriminately. For the purpose of this article we shall disregard executive bonuses unless they are extended also to the rank and file. The subject of executive compensation is another, and a quite different, story.

Profit sharing antedates modern industry. Probably it could be traced to the earliest periods in which men worked for each other. In the United States the records show that a profit sharing plan was initiated in 1794 in a glass factory owned by Albert Gallatin, who later became Jefferson's secretary of the treasury. Scattering attempts

are recorded at various dates in the nineteenth century. One of these plans originated in 1886 and is still operating.

The war period was marked by the adoption of numerous profit sharing plans, some of which went on the rocks in the course of the depression of 1920-22. In the period between 1923 and 1929 profit sharing for wage earners was in some disfavor and did not make the rapid gains which characterized other industrial relations policies. Some plans, however, were adopted in that period. The depression which began in 1929 caused a rather high mortality among profit sharing plans, many of which either were discontinued or became practically inoperative because of lack of profits.

One nationally known company which before 1929 had made average annual payments to employees vary-

## SOME pitfalls to be avoided and some investigations that must be made before a profit sharing plan is put in operation

ing from \$256 each to \$60, has made no distribution since that year, although its profit sharing plan is still technically in existence. Another company had a profit sharing plan under which employees in some years received as high as 40 per cent of their annual earnings. Beginning in 1930, the company lost money and there were no profits to distribute. Finally wages and salaries were cut 50 per cent and, in 1935 and 1936, monthly bonuses were paid as a partial restoration of normal compensation rates. In a large textile company a plan that had been in effect since 1914 was abandoned in 1931 because of insufficient corporate earnings.

### There were few profits to share

THE low point of the depression probably found profit sharing less important than at any time since the beginning of the century, not only in number of plans and magnitude of distributions but also in the esteem in which it was held both by industrial managers and by wage earners.

supplementary compensation to wage earners. For this change in attitude there are a number of causes, some economic and some psychological.

For one thing, company earnings have improved and, in many cases, surplus profits are available after reasonable dividends are paid. The federal tax law of 1936 provides an incentive to distribute these profits to somebody rather than to carry them in reserves.

Moreover, there is a persistent popular belief that employees ought to share more liberally than most of them heretofore have shared in the earnings of business. This public sentiment, in the opinion of some managers, cannot wisely be disregarded. The economic theory favoring wide distribution of purchasing power has gained many new converts, and one way of getting this distribution is to share business profits with wage earners.

Finally there is a general impression that the earnings of labor are likely to increase in the next few years, and many employers would

ter of right to share in the profits which they help to create.

The second group of arguments centers about the supposed effect of profit sharing upon the efficiency, economy and loyalty of employees and therefore upon the success of the business.

Lately a third set of motives has been added to these, influenced by the belief that public sentiment strongly favors an increase in the compensation of wage earners and looks with disfavor upon reputedly inordinate gains for capital.

Let us turn first to the ethical argument. Here we find a theory that the worker has an inherent right to a share of profits in addition to his wages. This theory has not lacked support in highly respectable places. Some employers and many social philosophers maintain that a man who invests his life in an enterprise has as great an interest in the financial returns as has a man who invests his money; that when capital has received a moderate fixed return it should not be allowed a preferred claim on all the rest of the profits of the business.

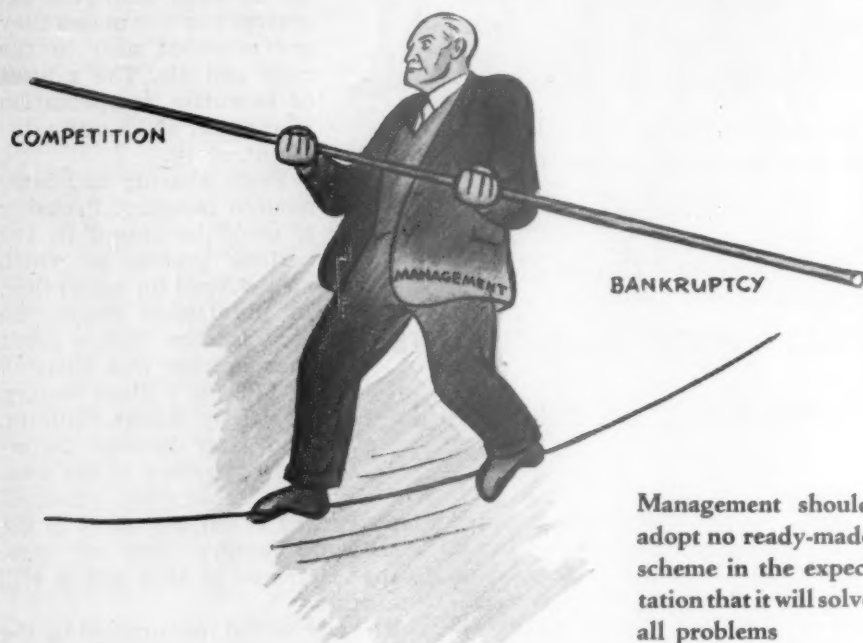
### No sharing of losses

THESE advocates of profit sharing seldom concede that the employee should also share in business losses. In support of this seemingly illogical position they argue that, in times of depression, the worker actually does bear a part of the losses through reduced wages and sometimes unemployment.

However attractive this theory may sound, it has no basis in economics or in ethics. If the worker receives the full measure of wages to which he is entitled, it is difficult logically to support a proposal to pay him, as a matter of right, a part of the return which, under the principles of law and economics, belongs to another factor in industry. The weakness of this argument in favor of profit sharing becomes more apparent when we consider the slight effect which the efforts of an individual worker can exert upon the profits of a business. As a matter of fact, wage earners often do their hardest and most faithful work in periods when their companies are making no profits at all.

The claim that the earnings of capital should be restricted to a fixed rate comparable to the return upon bonds or mortgages is based upon a misconception of the functions of interest and profits and of the unlike situations of the stockholder and the bond owner. If it be argued that the profits which accrue to capital some-

(Continued on page 92)



With the beginning of business recovery, interest in the subject revived until, in 1936, many millions of dollars were passed out to wage earners in shares of profits, bonuses and other extra compensation.

This revival of interest in profit sharing and employee bonuses came with a swiftness that surprised even close students of industrial relations. Two years ago the subject was scarcely discussed. Now organizations which serve industry as sources of information are receiving floods of inquiries as to methods of paying

prefer to pay this increase in the form of supplementary compensation rather than by the less flexible method of advancing hourly or piece rates.

Aside from the motives that have led to the current revival of interest in profit sharing, the reasons that generally have been advanced in its favor may be divided into two groups.

First are the ethical arguments. Some employers and many social reformers long have been convinced that employees are entitled as a mat-



# The Big Job of Cleaning

BY T. S. BLAIR

Of The J. B. Ford Company

IN a world that spends from 40 to 60 per cent of its working hours keeping itself clean, dollars and brains have been devoted to developing better tools for the job

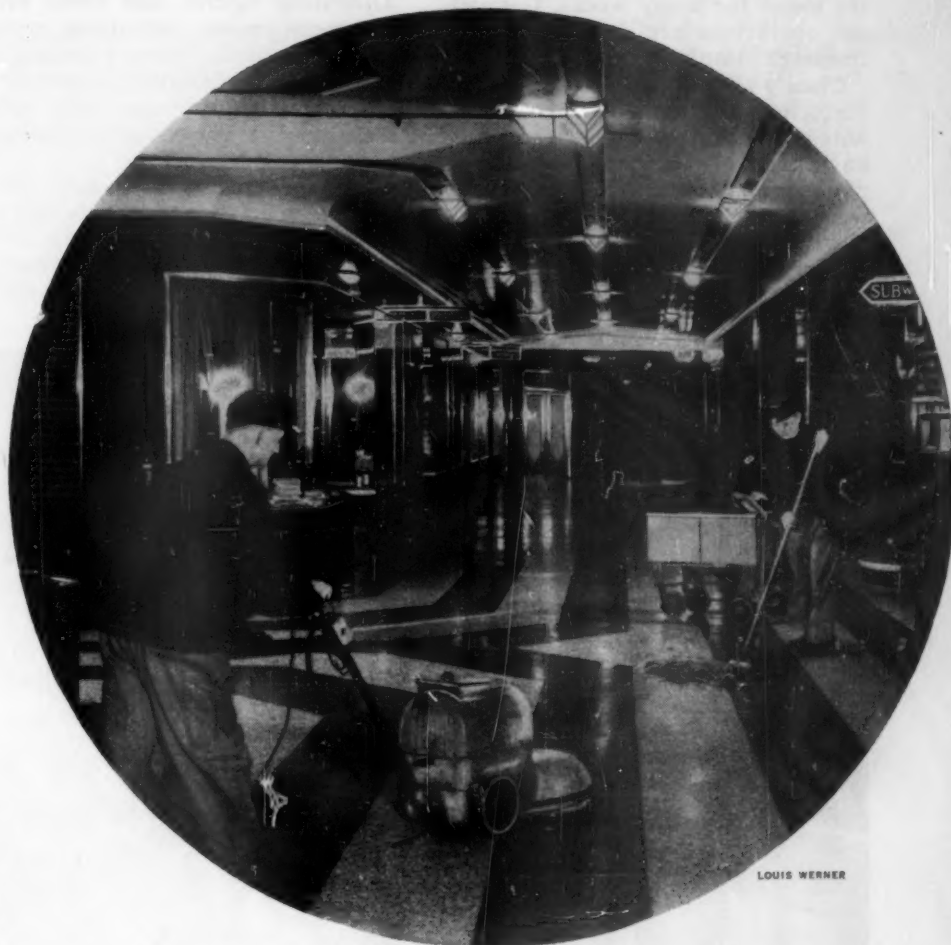
**C**LEANING, including that done in the home, is one of the world's largest industries.

The brewer who daily washes a million bottles, the hotel housekeeper with 3,000 bathtubs to clean at least once each 24 hours, and the automotive specialty manufacturer with thousands of gadgets to clean before chromium plating, have tasks confronting them which demand careful planning and execution.

The enormity of the world's cleaning job, and the part it plays in making our lives healthier, happier, and more free from useless drudgery, is an interesting page from the ever deepening romance of business and chemistry.

Cleaning in the preparation of food is a major division in the huge cleaning industry.

The canning of food involves constant cleaning and sterilizing. The canners who pack peaches, apricots, figs, and grapefruit face a peeling problem which modern science has solved. When peaches are peeled by the ton, and where tons more of this perishable fruit are being delivered to the plant by a fleet of trucks, speed is necessary. But even speed must not lower the flavor or attractiveness of the fruit. So peaches, and similar fruits, are peeled, not by armies of hand workers, nor by giant automatic knives; but in machines with fast rinsing alkalies, which will neither pit the surface of the fruit,



Steam shovel watchers would get a new thrill out of seeing an experienced operator handle a floor scrubbing machine

leave "jelly centers" in the part surrounding the seed, nor leave the fruit pithy or woody. Both the material used for peeling, and the material used for washing canning plant equipment are alkalies, but of vastly different strengths and content.

Butter makers face a demand for a product that tastes and appears uniform. Cream differs greatly in acidity, varying with seasons and localities. Cows that will distinguish between perfect pasture and weeds, have not yet been bred. But whether cream is of the exact degree of acidity demanded for perfect butter making, or whether it is entirely free of "off flavors," the customer wants each pound of XYZ butter to taste just like the last pound of that same brand that she purchased.

Here again, modern cleaning materials and methods have helped to solve the problem. Cream is stand-

ardized, or neutralized, with a mild alkali to the desired acidity, and with an accompanying improvement in the flavor, texture, and keeping quality of the butter.

Alkalies also play an important part in the "checking" of prunes (honeycombing the skin of the plum so that the fruit will dry, but without losing its flavor) in processing olives, and in washing citrus fruits, especially where smudging has been done to guard against frost. Filter cloths in sugar mills are kept clean and sweet smelling with modern cleaning materials.

The twin brother of cleaning in food factories is the germicidal operation. In wineries, for instance, modern chlorine germicidal materials save both working time and material expense. Here huge casks must be constantly kept filled with liquid to keep the vats watertight. As soon as

the wine is drained from the casks they are filled with water. Formerly, the water was changed frequently, or as soon as it became rancid. This involved both labor and expense for water. Today these vats are filled but once, a small amount of modern chlorine germicide keeping the water sweet for many weeks. Germicidal operations are done only after thorough cleaning is accomplished.

Closely allied with cleaning in food factories is dishwashing. Many hotels, restaurants, and hospitals have tens of thousands of dishes, glasses, and pieces of silverware to wash three times a day, which involves the use of fast, automatic machines and an effective, odorless cleaning material.

Not only must dishes be speedily washed clean, but auditors and purchasing agents demand that they be cheaply washed. Satisfactorily washing 22,000 greasy dishes is accomplished in hotels, hospitals and restaurants with as little as 45 ounces of cleaning material.

Operating figures like these are possible in many industries with modern materials, because chemists and manufacturers have applied thorough research, practical study, and close supervision to modern cleaning problems.

Many milk plants, breweries, and carbonated beverage plants washed a million bottles in today's daylight hours; and tonight, miles of sanitary metal piping are being cleaned and

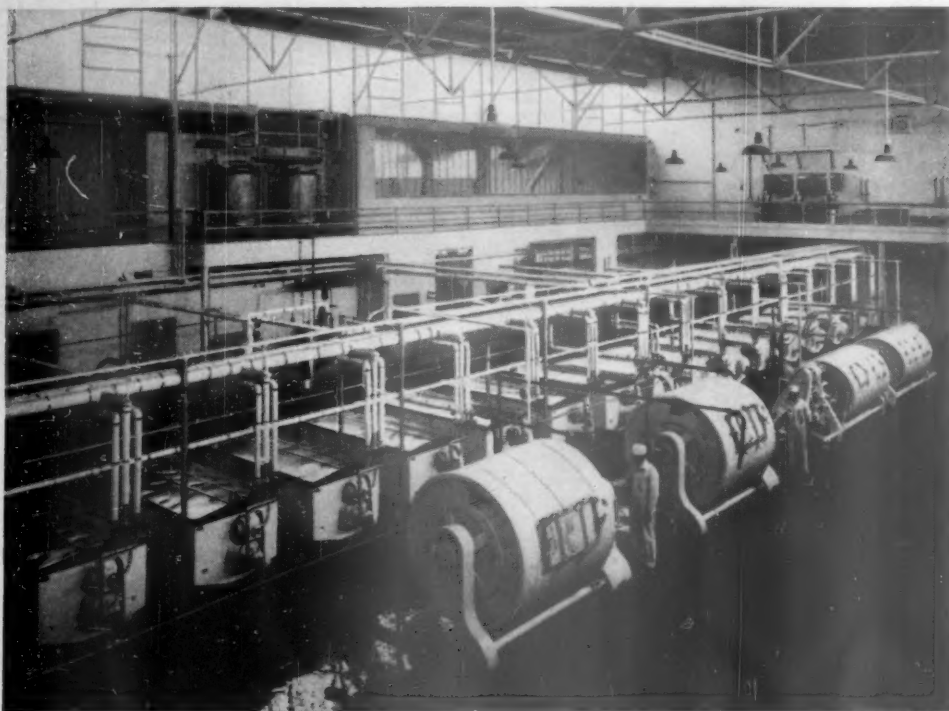
sterilized, and again assembled for tomorrow's run. While thousands of workers are cleaning up tonight in dairies and food plants, other thousands are toiling in office buildings, hotels, hospitals, and clubs. No matter how sloppy the weather today, the public lobbies and corridors of the nation's buildings must be spotless tomorrow morning.

The red-eyed "charwoman," who rides home in the subway to her well earned rest at 6 A.M., has at least one creed in common with the leading lady of the stage. That the "show must go on" is never questioned. That "the building must be left spotless" is also a commandment. Many cleaners who have worked in "the building" for years, speak of it with reverence, yet have never seen the crowds that throng its halls and elevators at noon. Nor are these thick shouldered, hard working Amazons devoid of romance. In one of our country's tallest structures, the woman in charge of scrubbing the floors in the tower always leaves the observation gallery until last, because she likes to watch the colors of the sunrise.

### Mopping on schedule

THE miles of halls that are mopped each night in this country are so many as to tax one's credulity. One famous railroad has so standardized the mopping of its largest terminal that the night superintendent of cleaning knows that at 2:10 A.M. his cleaning crew will be mopping a certain square of the floor, or at least the square next to it. Men and materials make this speed and dependability possible, the labor cost being approximately 95 per cent of the total cleaning bill; mops, equipment, and cleaning powder accounting for only five per cent. A single pound of a modern, commercial maintenance cleaner will mop 6,400 square feet of floor if properly applied.

Babe Ruth in his prime was no "prettier" sight than an experienced cleaner wielding a mop that "fits." Steam shovel onlookers would get a great kick from watching an experienced worker go over a dirty floor with one of the modern floor scrubbing machines. Light engineers



JOHNSON &amp; SON

In creameries and bottling plants, cleaning operations provide jobs for many workers who, at night, clean and sterilize miles of sanitary metal piping and assemble it for the next day's operations



W. FRANK JONES



and sight meter readings are the latest aid to keeping painted walls and ceilings clean. Sight meter readings show that illumination may be increased from 25 per cent to even 60 per cent by washing painted walls and ceilings. In many hospitals, hotels, buildings, and clubs every inch of painted surface is thoroughly washed every three to six months. Think of the thousands of acres of wall space this involves.

Hotels and hospitals also have thousands of washbowls, bathtubs, and tiled shower compartments to clean. Adding to this total the washbowls in office buildings, theaters, clubs, and transportation terminals, it is evident that a fair sized army of cleaners is employed in just keeping washbowls clean.

#### Cleaners must not scratch

THE enamel on washbowls, bathtubs, and plumbing fixtures will withstand years of wear, but like glass, it can be scratched, and when scratched deeply enough, rust develops. The homely topic of cleaning washbowls has engaged the attention of committees of national associations.

Keeping things looking like new is a gigantic task and involves some unusual operations. A few years ago a messenger boy delivered a date stamp in an office building. As he walked along the hall, he tried out this interesting contrivance on each panel of marble. The date stamp worked perfectly. The mind of an irate building manager worked just perfectly enough to make a thick paste of the same cleaning material that was used in the building for washing soiled painted surfaces, and for cleansing washbowls. This mixture was applied to the disfigured marble, as a poultice, and left on for 48 hours. This first application removed the stain of years, and most of the indelible ink of the date stamp. With a second poultice, all signs of the incident were removed.

Restoring stained and soiled marble in older buildings has now grown into a large industry. Several famous historical structures have been restored to their original glory by this poultice method. Even the outsides of marble buildings can be economically restored to their original beauty with this method by unskilled workers. Tombstones, whose inscriptions have been undecipherable for generations, have been easily read after

being poulticed. Truly this is a wonderful country where one can make a good living as a cleaner of tombstones.

Industrial plants with spray booths find this same cleaning material paste a means of reducing fire haz-

ters, hotels, restaurants, and factories to get back to normalcy after last spring's flood.

The same mild washing agent that is found in some hair shampoos is used by many laundries for washing. Special materials are also avail-

able for washing rayon and blankets. Cussing the laundryman is sometimes a favorite American sport. But when "mother washed clothes, and baked good biscuits," lipsticks and mercurochrome were unknown. It is a tribute to the laundryman that he removes troublesome stains with a minimum of laundry wear. In addition to commercial, institutional, and linen supply laundry plants there are to be found in every large city plants that wash nothing but wiping cloths, mechanics' waste, and overalls.

The suit of clothes you are wearing had at least three washings before you bought it. The textile operator calls it "scouring" but it is washing nevertheless. Huge machines, several hundred feet long, first wash the raw wool. Then, after being made into yarn, the yarn is washed, and even after the original

wool has become cloth, the cloth is again washed in pieces that may be 50 to 60 yards long.

"Boiling out" is another principal division of this gigantic cleaning industry. Silk hosiery is "boiled out" to remove gums and oils, so that the dye will penetrate evenly and without streaks. Hoang-Ti, an early Emperor of China, and his wife, Si-Ling, who are commonly credited with founding the silk industry, would marvel at the ingenious way silk hose and yard goods are handled in modern textile plants. Natural silk is, however, fighting a losing commercial battle with its synthetic relatives.

#### Cleaning cotton

COTTON, too, is "boiled out." Sheet- ing, for instance, is placed in huge tanks, known as "kiers," and "boiled out" under pressure. In a modern bleachery, where "boiling out" is done, miles of gleaming cotton goods slide through rings suspended from ceiling and roof frame, like the crisscrossing of the beams of many huge searchlights from a battle fleet, performing night maneuvers.

Highly organized is the textile industry. Enormous structures are devoted to making yarn; these particu-

(Continued on page 67)



GEORGE E. LAWRENCE CO.

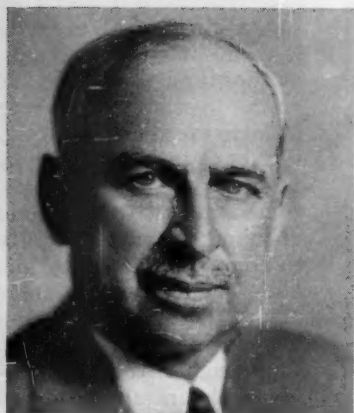
Part of this marble wall has been cleaned with a new material which is applied as a poultice

ards and of saving on labor costs. Fire insurance inspectors require that spray booths be freed of their coating of excess paint or lacquer at frequent intervals. When the walls, ceiling, and floor of clean spray booths are painted with this cleaning material paste, the excess lacquer or paint accumulates on top of the cleaning material and the entire mass may be easily removed with a non-sparking instrument, as sparks might cause a fire.

Laundry and textile plants are large divisions of the cleaning industry. Today most laundry plants return clothes and linens showing no signs of undue laundry wear, with colors bright and snappy, and with everything smelling like a June breeze over clover. The same germicidal material that is saving money in wineries, bottling plants, and creameries also permits laundrymen to return socks, blankets, and even feather pillows free from any of the unpleasant odors which were sometimes evident in former years after these materials were washed.

Strange as it may seem, this same germicide and deodorizer has saved several theaters from replacing expensive rugs that had been "stink bomb" targets. Thousands of pounds of this same type of germicide aided Pittsburgh department stores, thea-

# Men Whose Names Make Business News



MOFFETT STUDIO

## MOVES UP

O. M. Knode, United States Gypsum Company, moves from vice president's to president's office



ACME NEWSPICTURES

## TALK GETS CHEAPER

Walter S. Gifford, A. T. & T., announces \$12,000,000 reduction in long-distance telephone rates



PHOTOGRAPH BY BACHRACH

## EXPANDING STEEL

Eugene G. Grace tells how Bethlehem Steel Corp. spent \$70,000,000 on new equipment since 1935



BLACKSTONE STUDIOS

## COTTON AMBASSADOR

Dr. C. T. Murchison of Cotton Textile Institute heads delegation to Japan to negotiate trade agreement



## POURS OIL

Axtell J. Byles, head of American Petroleum Institute, says major troubles of oil men are about over



BLANK & STOLLER, INC.

## STEAMING UP

F. E. Williamson's New York Central orders 100 steam locomotives. Largest engine order since 1930



## AIR CONDITIONED BIRTHDAY

Willis H. Carrier's 25 year old air conditioning invention celebrated with \$2,159,760 of orders



PHOTOGRAPH BY MOCK

## MICROSCOPIST

Edward Bausch of Bausch & Lomb, holder of 40 patents, gets Engineering Society medal for inventions



PHOTOGRAPH BY BACHRACH

## MATRIMONY AT '29 LEVEL

W. W. Schwab, jeweler, says increased diamond sales indicate 1929 level for weddings and engagements



# Trial Without Jury

BY FELIX BRUNER



H. ARMSTRONG ROBERTS

**AS EVERYBODY** knows, the Constitution provides three coordinate branches of Government, the executive, the legislative and the judicial with functions intended to be exactly what their designations indicate. Today those three branches have become so intertwined that it probably never will be possible to separate them completely.

Sitting in a marble palace at one end of Washington are the nine members of the Supreme Court of the United States. Sitting in numerous federal court houses throughout the land are the judges of the Federal District and Circuit Courts. They are the judiciary as contemplated by the Constitution.

In the Capitol are the members of the Senate and the House of Representatives. They are the legislative as contemplated by the Constitution.

In the White House is the President and in various buildings are the heads of the government departments. They are the executive as contemplated by the Constitution.

To the writers of the basic law, the government apparently seemed almost as simple as that.

In the past four years, and occasionally before that, we have heard much of the delegation by Congress of the legislative power. More and more authority to make laws as well as to enforce them has been placed in the President's hands. More and more power has been delegated to various departments, agencies, boards and commissions. There has been occasional rebellion. A notable example was the case in which the NRA was invalidated partly on the grounds of

**SCORES** of government agencies not only act as prosecutor and judge but make the laws under which defendants are brought to trial

improper delegation of legislative authority.

But there is another side to the story, seldom mentioned in the past but about which more and more will be heard in the future. That is the assumption of the judicial power.

## Power created by Congress

**TECHNICALLY**, this is not a delegation by Congress, because Congress never had judicial power in the first place. Nevertheless much of this authority has been created by Congress. Much also has been assumed.

For the most part, the courts have carefully avoided assuming any power not granted them by the Constitution. There may be some who will dispute that statement, but at least their assumption of additional power—except possibly the power to declare acts of Congress unconstitutional—has not stepped far into the realm of the legislative and the executive. Strangely, however, the courts have had comparatively little

to say about the executive and legislative departments and organizations encroaching upon the judiciary.

A committee of the American Bar Association has, for three years, been studying the judiciary functions granted to or assumed by administrative organizations of the Government. Its findings have been startling. It has found, for instance, that 73 federal administrative agencies are exercising judicial power in 267 classes of cases!

These are not courts. They are a part of the executive branch acting in a judicial capacity.

It is axiomatic that the same man, or the same body, should not be simultaneously both prosecutor and judge. However, scores of government agencies not only act as prosecutor and judge, but also make the law under which the defendant is being tried! So far has the intermingling of the three basic functions of Government gone, that, in the same room, a law—or rule—is made, charges of violation are brought, a trial is held, and punishment is meted out—all by the same group of officials.

In Washington are many lawyers who never see the inside of a courtroom, yet have lucrative law practices. They appear before such bodies as the Federal Trade Commission, the Interstate Commerce Commission, the Federal Communications Commission, and scores of others. Many of these bodies have their own bars with special rules for admission to practice. Many lawyers specialize in practice before only certain agencies.

The list of administrative agencies which have been given or have as-

sumed judicial power is long, but it is interesting because one or more of these administrative courts touches the life of every one of us. Here is a list as compiled by the Bar Association committee:

**Departments**—Secretary of the Treasury, Bureau of Internal Revenue, Federal Alcohol Administration, Office of the Comptroller of the Currency, and Bureau of Customs; Secretary of War and office of the Chief of Engineers; Postmaster General, Third Assistant Postmaster General and Solicitor of the Post-office Department; Secretary of the Interior, General Land Office and Office of Indian Affairs; Secretary of Agriculture, Bureau of Agricultural Economics, Bureau of Animal Industry, the Grain Futures Administration (and the Grain Futures Commission, composed of the Secretary of Agriculture and two other Cabinet officers); Secretary of Commerce, Bureau of Navigation and Steamboat Inspection, Patent Office, and the United States Shipping Board Bureau; Secretary of Labor and Immigration and Naturalization Service.

**Independent**—Interstate Commerce Commission, Federal Trade Commission, Federal Communications Commission, Federal Power Commission, Securities and Exchange Commission, United States Tariff Commission, United States Employees Compensation Commission, Veterans Administration, National Mediation Board, United States Board of Tax Appeals, Foreign Trade Zones Board, National Labor Relations Board, and Federal Reserve Board.

The growing tendency of the Government to license business has added much to the judicial activities of administrative bodies. It has been estimated that in approximately 149 instances, a federal license, permit, certificate or other formal authorization is required if a person wishes to carry on a business or perform a certain act.

### Licensing power

IN AT least 54 of these 149 instances, the agency issuing the license has the legal right to terminate it for violation of rules made by the agency. These are instances of a single group assuming the functions of all three branches of the Government.

Licensing provisions are particularly apparent in the Securities and Exchange Commission, the Federal Communications Commission and the Interstate Commerce Commission. The Federal Trade Commission is another agency which largely makes its own rules, tries offenders for violating them, and then passes judgment. The Commission's cease and desist orders have, to all intents and purposes, the effect of court injunctions. The most extreme attempt at licensing was the National Industrial Recovery Act which gave the President the power to license business generally. This provision, however, never was put into effect.

In other instances, Government departments or offices which are in no

sense courts issue orders that are equivalent to criminal statutes.

For instance, the Comptroller of the Currency is empowered to assess a penalty of \$100 for each day any national banking association delays or refuses to make quarterly reports. The Secretary of Labor is empowered to levy a fine of \$1,000 upon any transportation company which the Secretary finds has brought into the United States any immigrant with an expired visa or any non-quota immigrant.

The Interstate Commerce Commission, the Federal Communications Commission, and the United States Shipping Board Bureau are empowered to order any common carrier which has done or omitted to do anything prohibited or required by their respective Acts to pay the injured party such damages as the Commission shall determine.

### Appeals are limited to law

APPEALS from administrative judicial findings may, in most instances, be taken to the courts, but the difficulty is that the courts regularly rule only upon the law. The board, commission, department or even individual who made the original finding of facts is usually the sole judge of the evidence. The administrative tribunal may thus make a rule and then determine whether the rule was violated with no outside check.

The Bar Association committee has listed three paramount evils which it finds to exist in the present system of administrative adjudication:

1. The combination of judicial with executive or legislative functions.
2. The fact that the tenure of office of administrative judges is insecure.
3. The lack of effective independent review or judicial control of administrative decisions.

It is apparent that many corollary evils may grow out of those three. There is no uniform system for handling cases, no uniform rules of evidence. Hearings range from the most informal to the most formal. Office holders whose terms are limited or whose jobs depend as much upon service to a political party as to the public interest make notoriously poor judges. The concentration of judicial powers in boards, commissions and departments in Washington means inconvenience and expense for those involved in the hearings.

In its recent convention, the American Bar Association adopted in principle a suggestion intended to remedy, at least to some extent, the evils of trial by government agencies rather than by courts. The Association approved in principle "the establishment of a federal administrative

court, without approving or disproving the provisions of any pending bills dealing with the subject."

Attempts have been made in Congress to bring about the organization of such a court. Senator Norris of Nebraska introduced such a bill. Later Senator Logan of Kentucky introduced a measure with considerably broader provisions than the Norris bill. It is expected that another such bill will be introduced in the new Congress.

The suggestion that such a court should take over as far as possible the judicial functions of government agencies has met several objections. One is that many of the questions involved are so technical that they must be handled by experts and that the court would not be qualified to pass upon questions of fact. Another is that handling of such cases by a court would result in long delays.

Those who have studied the proposal for an administrative court have suggested that, at the beginning, it be composed of a chief justice and not more than 40 associate justices appointed for life as are other federal judges. The court would be divided into several branches each handling specialized types of cases. It would have a trial division and an appellate division. It would sit in various parts of the country rather than only in Washington, and would employ Commissioners and examiners to hold preliminary hearings.

It is argued that such a court would be impartial, eliminate overlapping jurisdictions, establish uniformity in practice and procedure and, in the long run, cost less than the present system. It is also argued that such a court would build up uniform principles of law covering various types of cases, whereas under the present system almost identical cases in various departments are handled under different rules.

The scope of the jurisdiction of such a court is a question that would have to be handled carefully. The Bar Association committee says:

Certain administrative agencies are so well entrenched that any dislodging of their judicial functions must be regarded as out of the question for the present. Furthermore, many classes of controversies are in the judicial-executive and the judicial-legislative twilight zones, and it would be neither possible nor desirable to transfer them from their present hands to an independent tribunal for original determination.

The independent tribunal or tribunals will, therefore, hear some classes of cases originally and some on review of decisions of administrative agencies.

This court, whatever its form, must in turn be subject to review by a constitutional court, to the extent permitted by decisions of the Supreme Court. In other words, it must be fitted into the judicial branch of the Government under the Constitution.



# Business Highlights and Sidelights . . .

## Opportunity on Wheels

NEW business and new problems for service stations are seen by Amos Ball, general manager of sales of Standard Oil Company of Indiana, in the prediction of a million trailers on the highways in 1937, ten times as many as were in use a year ago. He said:

It will mean that 3,000,000 new American pioneers who travel, sleep and eat in modern "covered wagons" will be to a high degree dependent on service stations as their bases of supplies. Trailers are encouraging the trend toward more space for service station lots and toward operation of parking space at suitable points in conjunction with stations. They are also enhancing the need of wide driveways on a level with and parallel to the street, elimination of canopies and careful placing of pumps.

While trailer outfits use little more gasoline than ordinary automobiles, they do demand a greater amount of lubrication service. Stations are also developing a good business supplying trailer tourists with automotive necessities of many kinds. The travelers are good customers for kerosene for stoves and lamps, polish for furniture and woodwork, tires, batteries and light bulbs, as well as gasoline and oil.

**New Life for "Old Ironsides"** TIME and the weather constitute a greater menace to the soundness of the treasured frigate *Constitution* than enemy strategy could contrive in the fighting days when the ship made brilliant naval history. Many of the original timbers used in "Old Ironsides" deteriorated and required renewal. Search for the desired replacement wood of proper quality and seasoning took many years. The yellow pine originally came from South Carolina and Georgia. Abington and the Merrimac Valley, Mass., and the Kennebec Valley, Maine, provided the white oak.

During the winter the gun and berth decks are heated for the comfort of visitors. Installation of a simple heating system would reduce the air's relative humidity, and therefore tend to dry out the timbers and result in abnormal shrinkage and checkage. Engineers at the Boston Navy Yard and engineers of the Carrier Corporation, Newark, N. J., determined the atmospheric conditions necessary to prevent this condition and put in a Carrier air conditioning system. Operated for the first time on Armistice Day, the system circulates clean air, with the correct humidity.

## Autos by the Pound

MORE automobile for the money is a demonstrable fact. Since 1925, according to figures given in a radio talk by

W. J. Cameron of the Ford Motor Company, the cost per pound has dropped from 40 cents to 20 cents for the 1937 version of his company's product.

Comparing the cost per pound of a car with other necessities, Mr. Cameron pointed out that a refrigerator costs about 40 cents a pound, a piano around 87 cents, a good radio about \$1.65, and a suit of clothes about \$7.50.

Amount of labor required to produce a car has risen sharply since 1929, as a result of more time required for fitting, finishing, and better work on present cars, he said.

Taking the same output of cars, 98 men are required now as against 74 men in 1929.

## Where a Fund Goes

HOW well the Christmas savings idea has caught the imagination of the public is annually revealed in the number of institutions and individuals participating—5,500 banks in 1936 and 7,500,000 depositors to share the \$355,000,000 fund accumulated, an increase of 14 per cent over 1935's aggregate.

Studies made in the past by the Christmas Club organization indicate that 42 per cent of the distribution to holiday savers will be used for Christmas purchases, while 25 per cent will go into permanent savings, 12 per cent into tax payments and eight per cent into year-end commitments.

## What's Coming in February

★ ★ ★

### Where Business Ethics Come From

By Ida M. Tarbell

The writer whose revelations of business practices aroused the country years ago answers the question: "Can trade and industry evolve better rules in the public interest than can be attained by government edict?"

### Trial by Commission

By Herbert Corey

Revealing how the powers granted by Congress, enable numerous federal bureaus, if they desire, to summon a citizen before them, charge him, try him, find him guilty and punish him without interference by the courts.

### The "Forgotten Men" of Commerce

By Benjamin H. Namm

A prominent retailer proposes means by which merchants who do not want to "become mere slot machines for the distribution of goods may clean up their house before government does it for them."

### Balancing Agriculture with Industry

By Oliver Emmerich

How a dying town in Mississippi demonstrated that industry and agriculture, by joining hands, can not only escape disaster but can attain a permanent prosperity.

### Planned Highways and Business

By William Kinney

A plan by which this country can save lives and money and at the same time have better highways at lower cost.

## City Planning on Display

CITY planning as revealed by examples from many cities and towns throughout the United States will be on view as a contribution of the Junior Chamber of Commerce of the United States to the city planning show to be held in New York City beginning February 25, 1937, in the Hall of Education of the Museum of Natural History. Cooperation in this project, as explained in the *American Society of Planning Officials' News Letter*, marks the beginning of an educational campaign by the U. S. Junior Chamber of Commerce to promote understanding of city planning by the business man and taxpayer.

Junior Chambers of Commerce in every city are invited to participate by preparing for the New York exhibition materials relating to what has been, is being or should be accomplished in the way of city planning in their respective localities. It

has been proposed that after the exhibition a part or all of it should be sent on tour as a loan to Junior Chambers of Commerce throughout the country, and that the whole exhibit, with any new material added on tour, might be returned to New York in 1939, to become a part of the World's Fair.

William Exton, Jr., is the executive officer of the national city planning committee of the U. S. Junior Chamber of Commerce in charge of the exhibition program. The Chamber has approximately 60,000 members in the United States.

### Bookkeeping for a Law

ADMINISTRATION of the unemployment insurance law costs each Wisconsin employer \$2.24, and each New Hampshire employer \$6.60. The cost per employee is 2.7 cents and 14 cents, re-

spectively, according to a report published by Public Administration Service and based on a survey by the Committee on Public Administration of the Social Science Research Council. Wisconsin was chosen as one of the states for study because its law is the oldest. In September, 1936, it became the first state to pay unemployment insurance benefits.

New Hampshire was included for study because it has been collecting both employer and employee contributions for unemployment insurance since the first of 1936.

The wide disparity in unit cost of administration is traceable mainly to the fact that New Hampshire requires that detailed employee reports be kept in the central office, whereas Wisconsin does not.

Wisconsin keeps 4,800 employer ledgers and none for its 380,000 employees;

New Hampshire keeps 1,700 employer ledgers and 80,000 employee ledgers. Wisconsin makes 4,800 entries a month; New Hampshire makes almost 82,000 entries a week, or 328,000 entries a month.

Neither state can show a long enough experience to serve as a model of workability and efficiency, though the data obtained in the study may aid other states, the Committee hopes, in perfecting their procedures. The report is an introduction to a survey of unemployment compensation administration scheduled to be extended to 12 or 15 other states.

### A Corporation Views Politics

A NEW style in solicitation for party funds was apparent in the last campaign.

Persistent as the drive for big contributions may ever be, the usefulness of the dollar certificates issued by the rival national committees defines an appeal to the rank and file quite apart from the inspired buying of space in souvenir publications.

Whether the individual share in underwriting the education of voters signifies a livelier interest in the management of public opinion is difficult to know.

A business point of view is phrased by the Standard Oil Company of New Jersey in its publication the *Lamp*.

Even when it is permitted under the law, most corporations feel that they should not contribute to either party. This was not always the case. In past campaigns there were charges that men in high office were in effect the paid representatives of industrial or transportation interests. In those days the givers were not required to make contributions public. Now that this is the rule, solicitors have a new approach to business. They ask for advertising in strictly political publications. If space in a political publication will not sell any goods it will produce good will, they assert.

Even this is open to debate. Some people feel so strongly about the virtues of one candidate and the shortcomings of the other as to make them disposed to consider it a personal affront when advertising extolling the opposition candidate comes to their notice. So the advertiser, having accepted a page in a book of one party, usually finds it necessary to spend a like amount in the book of another.

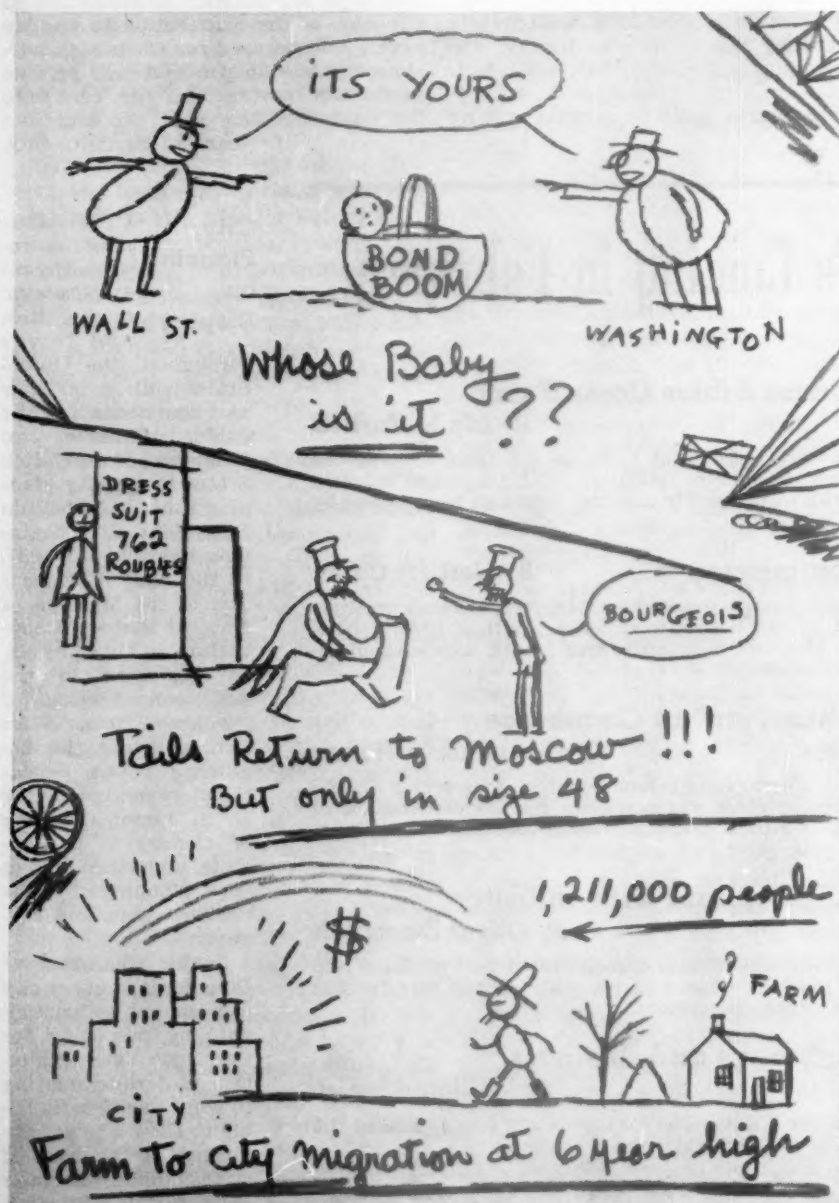
There is no question of the right of an advertiser to take such space if he believes that it offers him a return. If, on the other hand, he does not regard the purchase as advertising, but as a way of making a contribution, he is in most cases fooling himself. Overhead makes heavy inroads into the party's net realization.

Standard Oil Company (N.J.) has no politics. Where an employee takes an active part in a campaign, or contributes money toward its expenses, he is doing so on his own. Stockholders' money is not being used to advance any candidacy.

WANTED: NATION'S BUSINESS is in need of 1923 numbers of the magazine, as its files are exhausted.

It would be grateful and willing to pay \$1.00 each for copies published during that year.

## From a Business Man's Scratch Pad . . . No. 9





# The Chamber Recommends—

**R**EVIEWING the economic aspects of some of the major problems now engaging public attention, the Board of Directors of the Chamber of Commerce meeting in Washington, recently recommended certain policies which, it believes, will accomplish national purposes.

From its establishment, 25 years ago, the National Chamber has followed the rule of weighing business problems in the light of existing economic conditions. With the authorship or sponsorship of proposals, legislative or otherwise, the Chamber has no concern. Neither, by the terms of its charter, can it concern itself with partisan politics nor consider matters of political expediency. Its function is to marshal economic facts. The Government of the United States, as government, is entitled to the support and cooperation of its citizens, but it is also entitled to the expression of honest criticism, based upon facts and experience, regarding any steps it may propose to take. Business, too, has the right to expect cooperation from the Government.

## Telling the opinion of business

THE Chamber's objective is to arrive, as nearly as possible, at a consensus of business opinion and to bring its conclusions to the attention of public officials and of the public.

In line with this policy, the Board made public suggestions and recommendations relating to employment, farm credit, transportation, trade relations, state compacts, and the corporate surplus tax.

The recommendations regarding unemployment were published after the Board had received a report from its Special Committee on Employment which has spent six months studying the subject and assisting the exchange of information and suggestions between localities where efforts to stimulate reemployment were being made.

The Committee estimates that business and industry have reemployed 8,500,000 persons since March, 1933. At least 3,000,000 of these have been put to work since May, 1935.

Although the report puts the number of unemployed who, if employed, would find their places in business

and industry at less than 4,000,000, it explains—and shows why—all statements as to numbers of unemployed are necessarily estimates. In submitting its own figure, the report makes clear that the total applies only to those normally employed and has no reference to unemployed farm labor or the unemployed among the professional classes. It includes those now on government relief work.

The report ends with these general conclusions:

Experience has demonstrated the difficulty of attempting to obtain accurate figures on unemployment through census methods.

Estimates of unemployment on a national basis are necessarily inaccurate, and lend themselves to exaggeration.

Employment is a local matter, with many local variations, seasonal and otherwise, and unemployment is likewise local.

Projects of work-relief should not be allowed to take the place in any degree of established agencies for performance of government functions.

Projects of work-relief should not be permitted to compete in any degree with private enterprise for workers, skilled or unskilled, and should be so conducted as to encourage workers to seek private employment.

It is evident that further advance in business activities will require the services in private enterprise of persons now on work-relief at public expense.

There should be immediate expansion of facilities in the states and communities for young people, and for workers desiring to increase their skill, to obtain training that will fit them for employments through which they can advance their standards of living in accordance with their own capacities and diligences.

A policy should now be adopted of gradually discontinuing work-relief.

Turning to farm credit, the Board adopted four recommendations submitted by the Chamber's Agricultural Committee. The Committee's report pointed out that, under pressure of emergency conditions, some of the credit practices followed by the Government constituted a departure from principles universally accepted as sound in normal times.

Now that the emergency is passing, the Committee urges adoption of credit policies that take into consideration the more normal conditions now existing. Such a program, the report declares, should contemplate greater utilization of private lending agencies.

The changes in federal agricultural policies recommended are:

Adherence to the original policy which provided for borrower control of Federal Land Banks which are now subject to a considerable degree of government ownership and administrative control.

Adherence of the Federal Land Banks to those appraisal and lending policies which will tend to keep the risks involved commensurate with the low interest rates charged to borrowers.

Disapproval of the incorporation into the permanent farm credit system of the federal Government of those loan policies which place the major portion of the risk directly or indirectly on the Government.

Reduction as rapidly as is consistent with improved economic conditions of the amount of federal credit extended for emergency production and seed loans.

In the transportation field, the Board authorized distribution of three pamphlets prepared by the Chamber's Committee on Transportation and Communication and dealing with the Motor Carrier Act, the Railroad Labor bills and the Uniform Vehicle Code.

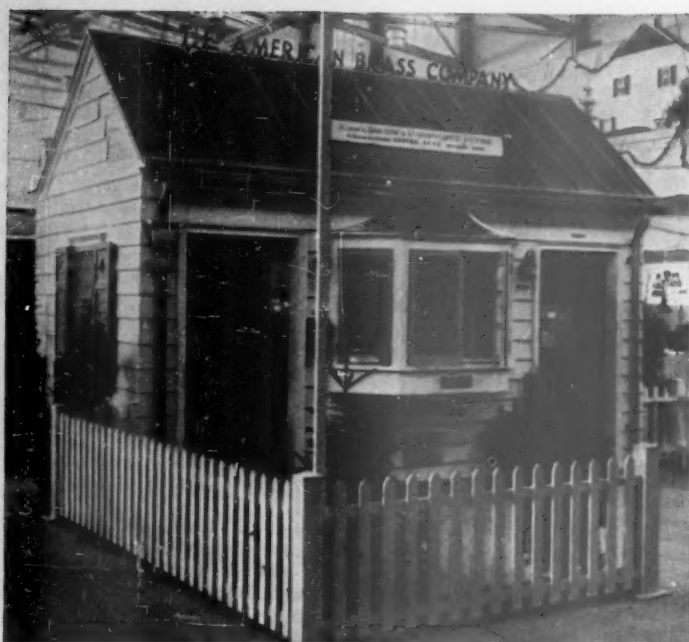
The railroad pamphlet discusses legislative proposals which, it says, would seriously interfere with responsibilities of railroad management and add some \$900,000,000 to the annual cost of operation. The pamphlet on the Vehicle Code describes the five acts of the code and indicates the opportunity of chambers of commerce to further their adoption.

The Manufacture Department Committee, in its report said:

There should be a full examination of the possibilities of the trade practice conference procedure by each industry desirous of raising the level of its competitive standards, in order that it may properly evaluate the benefits which this method offers under the conditions confronting the industry involved.

Another report recommended the widest possible study of the state compact method as a means for utilizing state legislative powers. This method, the report says, offers the exercise of unquestionable powers by states directly interested in a subject and which undertake to act in concert by agreement among themselves, subsequently obtaining Congress' consent to this common action.

—PAUL MCCREA



Small houses are erected and furnished as a part of the home show

**T**HE manufacturers of bathtubs recently discovered that the formula for selling a lavender-enameled tub differs only slightly from the formula for selling a chromium-tipped automobile. Once, it appears, they held the mistaken idea that a bathtub merely is something in which to take a bath.

But now that the tub, in as many models as a modern automobile and in many more colors, is recognized as an article of home adornment as well as a private utility, the similarity in selling technique is relatively clear. Both tub and automobile have eye appeal. Both may be glorified with much the same showmanship that Mr. Ziegfeld used to glorify his shapely chorus girls. Both may be exhibited behind a box office and set amid a riot of ferns and palms and spotlights. For best selling results both should be squired by square-shouldered salesmen talking glibly about advanced design and retarded payment.

What the bathtub producers have learned also has been learned by the producers of many of the 87 other items of material and equipment going into the construction of the modern house. Dramatized selling is good equally for boards and bricks and brass hardware.

The forward-looking members of an industry which has regained only a quarter of the ground lost in the unfortunate years are setting out to pep up backward brothers. They comprise a group of nationally known manufacturers and propose to stimulate in a modern manner a general public interest in home construction and repair. They call themselves the Manufacturers' Housing Promotion Council and will tie together several cooperative selling programs already under way, directing them, naturally, to channels considered best for the industry. The nation-wide activity of the agency will begin at once, hoping for a spring building revival.

To understand fully, it is necessary to recall that the business of producing and distributing building materials is old and honorable—and a bit rheumatic. It be-



Manufacturers cooperate with the builders in providing attractive displays calculated to increase interest in modern housing

gan in this country the day the Jamestown colonists started chopping down Virginia pines for their cabins. Its eventual character and magnitude never permitted it to be organized in a present-day sense. The manner of selling each individual product differed as greatly as the products themselves. For many years (and even today) buyer sought seller; although contrary to supposition, this seldom controlled the price. The supply usually was greater than the demand.

### Differing methods of selling

**THESE** generalities naturally apply to the basic materials—lumber, brick, stone, sheet metal, paint and other items going on to a job to be converted by mechanics into a building. They do not apply to equipment such as heating and plumbing facilities, pre-fabricated and usually sold as units, an industry which, although kin to the first, is younger and more on its toes.

The nature of this new business dictated new selling ideas. Two fields were open, sale of the units for installation in houses already erected and sale for new houses. The first, through advertising and financing plans, has taken care of itself fairly well; the second, however, has been retarded by the number of houses people were willing to build.

An interview I once had is in point. It was an inter-



# Dramatizes Its Wares

BY DONALD MacGREGOR

GLORIFYING of the American home has become the aim of forward-looking members of the construction and allied industries who

have turned to showmanship and publicity as a means of selling their products—and have found the method at least helpful

Home equipment makers, like auto manufacturers, are emphasizing eye appeal

Educational features, replacing amusements and ballyhoo, have been used to lure crowds to the home shows



view with a leading manufacturer of builders' hardware.

"Increased production?" he repeated. "We can't do a thing to increase it. The sale of builders' hardware corresponds to the volume of building, and always will. Nobody ever put up a house to use hardware. Buildings come first—then the things that go in them."

### Dependent on new building

SO until the country resumes the building of houses on a worth while scale, the equipment people, as well as the material group, are helpless in what probably now is their most important field. They had hoped the virtual suspension of construction during recent years would prompt a revival to fill the demand when business conditions were better. They had hoped governmental encouragement would bring results. But so far nothing more than passing interest has been aroused.

In seeking the reason for this condition, the industry has discarded, one after another, the supposed obstacles in the way of increased construction. Adequate financing, on equitable terms, is available to those of fair responsibility. Costs are reasonable. Recovery has progressed to a point where another upset seems unlikely at any early date. The thing boils down to lack of genuine desire on the part of any great number to own a house. Put in another way, the public has not been sold on the comfort and security of home ownership!

In some respects the parallel of the automobile is not appropriate. It would be were its individual parts sold as are the individual parts of a house—steering wheel, tires, bumpers and headlights, all separately. Nevertheless it is to the automobile, and the method of its sale, that the building industry has turned.

To maintain interest in new developments and to create public desire for ownership, the automotive industry has adhered to a studious policy of eye appeal. Its annual shows, at which the new models appear, are traditional; its retail habitat has been the main city thoroughfares, not the side streets or alleys. This, in a nutshell, is the way the Manufacturers' Housing Promotion Council hopes to sell the housing idea. Behind the

activity will be a publicity program conceived and executed by individuals experienced in the subject at hand and unhampered by the desire to exploit some particular person or some particular product.

The entire enterprise had its beginning about a year ago when Peter Grimm, the New York real estate operator, went to Washington at the request of Secretary of the Treasury Morgenthau to examine and report on the numerous and costly federal agencies dealing with building and building finance, particularly houses. Among others he visited was the Federal Housing Administration where he discovered a minor activity which almost overnight he developed into a major one.

This activity, in charge of Henry A. Guthrie, consisted of inducing state and county fairs and similar events to disseminate information on better housing from booths set up somewhere between the prize pigs and prize pickles. Mr. Grimm, on digesting the details, asked Mr. Guthrie if it would be well to broaden the scope of the work, to exhibit the new things in housing, so people would have a greater temptation to buy. Mr. Guthrie agreed that this really embraced the home show idea.

Home shows, or building shows, had been held in different cities from time to time. But most of them had



Commercial displays augment exhibits of models, plans and photographs



# Burroughs

## SIMPLIFIES PAYROLL ACCOUNTING

A few of the machines Burroughs offers to help you meet the payroll accounting requirements of the Social Security Act

### BURROUGHS TYPEWRITER ACCOUNTING MACHINE

Writes check (or pay envelope), earnings record, employee's statement and payroll summary in one operation. Column selection automatically controlled. All totals accumulated. This machine is only one of many models that handle every accounting job.



### BURROUGHS DESK BOOKKEEPING MACHINE

Posts earnings records, automatically prints dates in proper columns, automatically subtracts deductions—calculates net pay. Can also be used as a fast, practical adding-subtracting machine for all kinds of accounting work. Many styles—all low in price.



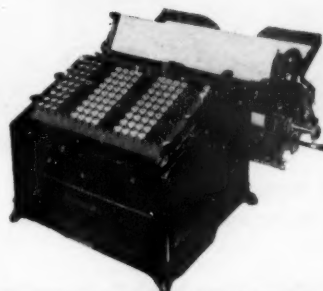
### BURROUGHS CHECK-WRITING TYPEWRITER

Writes payroll checks in units or in strips. Payroll summary completed in same operation. Fast and easy insertion and removal of checks. Can also be used as a typewriter for correspondence and general typing. Electric carriage operation. Several models.



### BURROUGHS AUTOMATIC PAYROLL MACHINE

Writes check (or pay envelope), employee's earnings statement, earnings record and payroll summary in one operation. Accumulates all necessary totals. Many models for payroll work, as well as for scores of other accounting jobs.



Burroughs has made an intensive study of the payroll accounting problems set up by the Social Security Act. Concerns in many lines of business are profiting by the results of this study and by recent Burroughs machine developments which enable them to simplify the keeping of payroll records.

Many find that they can actually cut accounting costs while obtaining the additional information required by the Act. In fact, employers frequently say, "The investigations we were prompted to make because of the Social Security Act have brought us the complete payroll accounting system we have needed for a long time."

It will pay you to investigate. Use the coupon today. For more immediate action, telephone the local Burroughs office or wire us direct.

**Burroughs Adding Machine Company**  
6001 Second Boulevard, Detroit, Michigan

I should like to have specific information to assist us in meeting the payroll accounting requirements of the Social Security Act.

Name of concern \_\_\_\_\_

Address \_\_\_\_\_

My name and title \_\_\_\_\_

We have approximately \_\_\_\_\_ employees.

**SEND FOR SPECIFIC INFORMATION**

been of scant commercial value, sometimes due to lack of interest and sometimes to the lack of a formula.

The lack of interest came through failure of dealers generally to appreciate the value of this type of selling, to the unwillingness of many manufacturers to cooperate with them in providing exhibits or dividing cost and to the slipshod methods of show sponsors who knew little about merchandising.

### Building shows were hard to start

THERE was a vicious circle. A show sponsor, with good intentions, rented an exhibition hall for the period of a show, usually for a week or ten days. He tried to sell exhibit space to dealers in materials and equipment, but more often than not met with only fair success. Finally in desperation, facing a probable loss, he sold space where he could. Hawkers of corn cures and potato peelers were in the offing, ready to buy; and so the character of the enterprise changed immediately.

The exhibitors wanted crowds, and to obtain them the show sponsors hired vaudeville acts and orchestras, often gave houses and lots as door prizes. The crowds arrived; but 99 out of 100 came to get something for nothing, to see the vaudeville or win the prize. But the band and the hawkers drowned the selling talk of exhibitors who now and then found somebody interested in housing. The affair became just one of those things.

But Mr. Grimm and Mr. Guthrie still felt the basic idea was sound, that a show properly run would bring results. The manufacturers, after all, were the ones to decide. Did they believe the shows could be selling events? If so, what did they have to suggest?

Mr. Grimm invited a small group of manufacturers to Washington to talk it over. This led to a second meeting and a third, in which the list of interested manufacturers grew. The Manufacturers' Housing Display Council was formed, with Russell G. Creviston, vice president of the Crane Company, Chicago, as chairman. Now, after a year, the display council has been incorporated as the Manufacturers' Housing Promotion Council, with its scope enlarged.

From the discussions came a program for shows in which the manufacturers agreed to participate. The cleanup squad was busy. Broadly, all carnival features were eliminated, all over-the-counter sales and all door prizes forbidden. Educational features, rather than amusements, were recommended to draw the crowds.

The rules require sponsorship by reputable groups in the cities where the shows are held—chiefly chambers of commerce and real estate boards. The sponsors are expected to engage experienced managers, as the business is specialized. The shows are to run for a week or ten days, this considered minimum time to arouse public interest and maximum time to sustain it.

On the theory that an automobile show is not an automobile show without an automobile, an approved hous-

ing show should have one or more houses. Small houses, probably with two bedrooms, the classification to which the bulk of construction is expected to adhere in the next few years, are to be erected and furnished completely.

The plans and specifications are to be drawn by the local chapter of architects, or under its direction, so design and construction will be that best suited to the locale. Local distributors are to supply the materials, local contractors the labor. A lawn is to be planted in front of the house, with shrubbery and flowers, this the joint development of the landscape architects.

For practical reasons, chiefly the cost of the exhibition hall, this construction and installation must be done within the brief period of a week of working days prior to opening night. This offers an opportunity for drama and publicity. The order, though, is not as large as it seems. There are shortcuts which would be impossible for a house intended for habitation. No cellar is dug, no foundation is built, no piping is put in place.

In addition to the house and its setting, the shows will have features such as architectural exhibits of models, plans and photographs and portrayals of home development, community planning and garden treatment. To tie together the exhibits and the commercial displays of the manufacturers Mr. Grimm arranged to have the Federal Housing Administration provide decorative equipment that could be shipped from city to city.

The program got under way, experimentally, in Baltimore last January. The Baltimore "National Home Show," then, was followed by 30 others, in various cities. From these tryouts has been charted the future course.

The urge for showmanship in the sale of housing has prompted another important step by the industry, the current migration to Main street from the back streets and alleys where it has lived in the past. Even

the distributors of commonplace items like bricks and lumber are following the lead.

The back streets and alleys were economical and convenient for trucks and railroads. Contractors and mechanics knew the locations, but not the buying public, particularly women, whose influence in home construction is coming to be more and more recognized, and who can hardly be blamed for disliking to go down by the tracks into the questionable parts of a town. Building products interestingly presented in showrooms on thoroughfares are expected to serve as constant reminders.

But better showmanship is not the only thing the industry has in mind. The Manufacturers' Housing Promotion Council is working out details of a

broad publicity program intended to sustain interest in housing at all times of the year. It probably will be achieved, not by press agency, but through a series of architectural and other contests capable of focusing the attention of those with a hankering to build.

So the building industry is getting spry again in its old and honorable years. Its rheumatism is clearing up and it's getting young ideas.



The influence of women in home construction is becoming more and more recognized





ible and performs all kinds of figure work with high speed and unvarying accuracy, with the ability to meet these changes quickly and with

CHANGES take place often, and without warning, in the automotive field — changes which would ordinarily upset figure-work routine in the industry. Hence, this tribute from the Fruehauf Trailer Company (world's largest manufacturer of commercial trailers and semi-trailers), at Detroit, Michigan:

"Since the 'Comptometer' is extremely flexible and performs all kinds of figure work with high speed and unvarying accuracy, we are able to meet these constant changes quickly and without confusion.

"'Comptometers' are used on all our figure work — costs, payroll, accounts

payable, billing, sales analysis, statistics, and general accounting.

"'Because 'Comptometer' methods make statistics immediately available at low cost; we have standardized on 'Comptometers.'"

Hundreds of other industrial leaders find that "Comptometer" gives them maximum speed, accuracy and economy in handling figure work of all kinds . . . that "Comptometer" methods help to minimize confusion arising from recent Social Security legislation.

If you feel there is room for improvement in your figure-work

departments, telephone the "Comptometer" office in your locality. Or write direct to Felt & Tarrant Mfg. Co., 1712 N. Paulina Street, Chicago, Ill.



Model J  
"Comptometer"

# COMPTOMETER

Reg. U. S. Pat. Off.

# No Business Can Escape CHANGE

The new year brings with it new tools and new competitors in a variety of fields

**1 •** FOR these cold nights a newly developed comforter provides just the right degree of warmth, yet it is light weight. It is heated electrically through specially insulated wires and with a low voltage. Small built-in thermostats maintain any constant temperature desired by the user. . . .

**2 •** A FLEXIBLE gummed binding edge is easily applied to photographs, bulletins, or other paper. Pages so bound open flat and wear long. . . .

**3 •** A QUICK-SETTING cement which trowels cold resists acids (excepting hydrofluoric), water, oil, high temperatures, and most solvents. It is particularly useful for laying brick exposed to acids. . . .

**4 •** A TIMING device, for kitchen or other uses, is now built into an electric clock. It can be set to sound a buzzer at the expiration of any predetermined minute from one to 120. A reminder to take out the roast, or what-have-you. . . .

**5 •** A NEW control valve for vacuum brakes on trailers allows the operator of passenger car or tractor to apply the trailer brakes without removing his hands from the steering wheel. . . .

**6 •** A LINE of new type soft-face hammers for working on fine finished surfaces has tips of a tough amber-colored plastic that will not shatter, chip or break. When the tips become worn, new tips may be easily installed. . . .

**7 •** HARDWOOD floors of two inch pieces in a basket-weave pattern are now made into gridded sections two by six feet that may be quickly and economically laid over old floors. The blocks composing the sections are  $\frac{5}{16}$  inch thick. Sections are laid with adhesive, not brads. . . .

**8 •** A RECENTLY developed metal finish is said to dry with a lustrous hard surface, yet have resiliency to prevent checking and marking. Insoluble in oils, it is resistant to alkalis, commercial acids, and atmospheric corrosion. . . .

**9 •** A NEW device, by a flashing light, shows when an industrial storage battery needs recharging. It also gives ample warning of the approaching discharge. Truck batteries, properly charged, save time and tow-ins. . . .

**10 •** A PUNCTURE-PROOF inner tube of a new type is made by putting a layer of a plastic self-sealing composition on the inside of the tube. Holes are sealed without loss of air when the puncturing object is removed. . . .

**11 •** A BLUE dye now made here after introduction abroad has exceptional fastness and high tinctorial strength. It's suitable as a trichromatic blue for printing ink and for many other industries where its fastness to light, acids, and alkalis is an advantage. . . .

**12 •** A RUBBER feed roll for typewriters, recently developed, is said to provide improved grip so that paper and numerous carbon copies may be turned back without slipping. Envelopes and the like are handled with dispatch. . . .

**13 •** A NEW carbon holding device for use with continuous forms on typewriters shifts the carbons from one form to the next without extracting and reinserting. . . .

**14 •** FOR STAMP collectors a novel dispenser feeds gummed hinges one at a time when needed. It has a capacity of 1,000 hinges. . . .



**23 •** A new calculating machine simplifies the repetitive type of figuring, gives pay roll, job cost, security tax and related calculations in one operation

**15 •** A NEW paper for advertising display has sufficient opacity for ordinary daytime display, yet gives striking effects of transparency when illuminated from the back. It may be printed by a variety of processes, comes in varied colors. . . .

**16 •** A NEW note-book for stenographers has non-skid edges and stiff covers which may be opened to stand like an easel for convenient transcribing. . . .

**17 •** TO PREVENT valve freezes in dry-pipe sprinkler systems there has recently been developed a thermostatically controlled electrical heating element with a guard to prevent burns or fire. . . .

**18 •** RUBBER STOPPERS are now made in a deodorized form for perfume and other uses. They prevent spilling, evaporating, and eliminate "freezing" to the bottle. . . .

**19 •** PROTECTION for pressure vessels is now available even when safety valves stick or have insufficient capacity. It's a metal disk made to burst at a predetermined pressure and then allow the contents unobstructed escape. . . .

**20 •** A PORTABLE traffic signal designed for use at schools or factories may be removed at periods of light traffic so as not to impede traffic as a light, even when it is not working, does. . . .

**21 •** A NEW mattress has a slide fastener by which it may be quickly taken apart for sunning or laundering. Inner springs, felt pads above and below the springs, and covers are easily separable. . . .

**22 •** A FAN with flexible rubber blades may be mounted to defrost automobile windshields in winter, remove steam in spring, and cool in summer. The soft blades obviate the need of a guard and eliminate metallic glare. . . .

—WILLARD L. HAMMER

EDITOR'S NOTE—This material is gathered from the many sources to which NATION'S BUSINESS has access and from the flow of business news into our offices in Washington. Further information on any of these items can be had by writing us.





PHOTOGRAPH BY JOHN PAUL PENNEBAKER

## A LESSON FROM YOUR WATCH

Inside your watch is this little device known as the "escapement." It is the heart of time keeping because it is the *control*. Should you throw it out of adjustment you will have far more trouble than if you broke the main-spring. A stopped watch is of no use at all—but a watch out of adjustment is worse because it misleads you. . . . This aptly illustrates the importance of dependable control on motorized machines in factories. A machine with faulty Motor Control fools its owner, its operator, everybody, because it looks like it's doing its job. Unless its per-

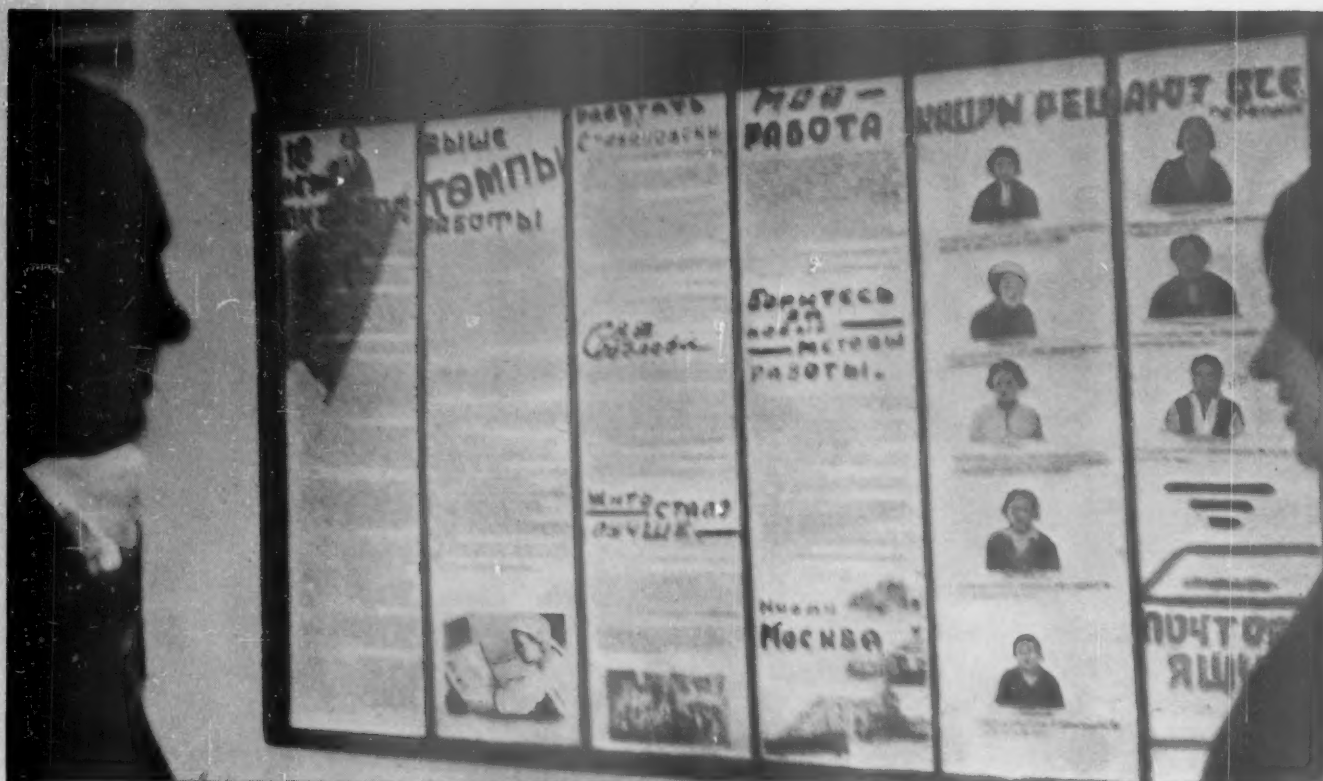
formance is checked against a known standard it goes on stealing—hour after hour, day after day. . . . Thousands of America's factory executives guard against such losses by selecting Motor Control with care. This does not mean they put each unit of Motor Control through endless tests. They have found an easier way to arrive at the same result. They simply specify Cutler-Hammer Motor Control and refuse all substitutes. CUTLER-HAMMER, Inc., *Pioneer Manufacturers of Electric Control Apparatus*, 1251 St. Paul Avenue, Milwaukee, Wisconsin.

### What is Motor Control?

Sometimes a group of buttons on a machine, sometimes a box on the wall, sometimes a whole room full of panels . . . Motor Control comes in a thousand different forms. Regardless of size, it starts, stops, regulates and protects motors and machines . . . four important duties.



**CUTLER-HAMMER  MOTOR CONTROL**



Every task commendably performed by a worker warrants his photograph on the bulletin board

# How Communism Runs a Factory

BY ARTHUR GOODFRIEND

**A** KNITTER in a Reading, Pa., hosiery factory was dissatisfied with his living arrangements. He complained to President Roosevelt. His employer was directed to give the worker better quarters, and this was promptly done.

The salary of the factory's Director was \$7,200 a year. The foreman of the Dye shop drew \$9,000 a year. Most of the other foremen earned from \$1,000 to \$1,500 a year more than the boss.

The boss took his \$7,200 and said nothing about it.

Every pair of stockings that factory made was sold at a fixed price, and the money deposited to its credit before a needle moved. When, however, at the end of the season, it was found that the rising cost of raw materials converted a budgeted profit of 2.5 percent into a substantial loss, the United States Treasury made up the difference.

All of which, of course, sounds strange to American readers—be-

FOR a month the author inspected the factory he writes about here. His article gives an interesting comparison of workers' rewards in Russia and America

cause nothing of the sort has ever happened here. But in one of Russia's largest knitting plants, situated 30 kilometers from Moscow in the town of Tushino, these are commonplace people think nothing about.

Tushino Tricotage No. 2 is one of five factories in the Moscow area working under the Hosiery Production Trust, which, in turn, is responsible to the Commissar of Light Industries.

The plant has an area of 24,000 square meters.

On a 25 day month and an 11½ month year, this factory produced 28,000,000 pairs of stockings in 1934, beating the *Piatiletka* by 20,000 pairs.

In 1935, the schedule was upped to 32,000,000 pairs.

The plant employs 5,000 persons, 4,000 of whom are knitters. About 100 work in the dye house, 350 are machinists, and the remainder serve in all other capacities from management to inspection.

The Tricotages' older machines are of foreign make, but these are rapidly being replaced by new knitters made in Russia, at the Leningrad Knitting Machinery Plant.

Almost the entire produce of the factory is of cheap lisle and cotton, selling in the Universal Stores of Russia for 25 kopeks, or a little more than 20 cents a pair.

The men's socks, when they run



Mother, Father, Sister, Brother,  
all have their own reasons for preferring  
**THE NEW 1937 CHEVROLET**  
*The Complete Car—Completely New*



"It's much more comfortable . . . I just wouldn't be without Chevrolet's Knee-Action Gliding Ride\* . . . and Genuine Fisher No Draft Ventilation."

ALL THESE FEATURES  
ARE FOUND ONLY  
IN THIS ONE LOW-  
PRICED CAR.



"All my friends compliment me on its Diamond Crown Speedline Styling. They say it's the smartest car on the street. And it's such a comfort to have Safety Plate Glass All Around."



"I'm all for its High-Compression Valve-in-Head Engine . . . Saves me a lot of money on gas and oil . . . And the whole family feels a lot safer in its new All-Silent, All-Steel Body with Solid Steel Turret Top and Unisteel Construction."



"I like its greater pep and power . . . and its Shockproof Steering\* . . . And boy, those Perfectured Hydraulic Brakes of Chevrolet's are certainly 'tops' for stops!"

FOR ECONOMICAL TRANSPORTATION



CHEVROLET MOTOR DIVISION  
General Motors Sales Corporation  
DETROIT, MICHIGAN

*\*Knee-Action and Shockproof Steering on Master De Luxe models only. General Motors Installment Plan—monthly payments to suit your purse.*

to patterns, correspond to two-pair-for-a-quarter reverse plait merchandise in the United States.

Tushino Tricotage No. 2, in common with Russia's other light industries, cannot lose money or get into financial straits.

Its entire output is taken over by the Government's Hosiery Trust, which, before the goods are made, has contracted with the great universal stores and other retail outlets to satisfy retail requirements precisely.

The necessary funds for the conduct of the factory's operations are

sary, the Government makes up the loss. Prices cannot be changed. Nothing can be changed.

A typical breakdown of expense at the Tushino Tricotage is as follows:

Materials	70.0%
Wages	18.5%
Rent	1.0%
Depreciation	8.0%
Profit	2.5%

The last item bears explanation. All Russian factories work for a profit. Sometimes the profit doesn't materialize, for reasons stated by a committee from the Commissariat of

*Stakhanovites*. A *Stakhanovite* is a worker who consistently overfulfills his production quota, and who engages in some form of social work besides. The day he fails to beat his quota, he loses his *Stakhanov* status.

The best *Stakhanov* in the factory is a knitter who serves 40 machines. He, like all the other knitters, is paid on a piece work basis—25.5 kopeks for ten pairs of stockings. Each worker's production is figured daily. The average worker tends 20 automatic machines. A knitter is obliged to produce a minimum of 500 pairs of seamless stockings a day.

The lowest rate per day is five rubles 66 kopeks. The highest pay is 13 rubles 13 kopeks. The average pay for a knitter ranges from six to 12 rubles a day. On the same day, bread cost 90 kopeks a kilo; butter, 12 rubles a kilo; eggs, ten for four rubles; milk, 90 kopeks a liter; meat, four rubles a kilo, and chicken, five rubles a piece. Shoes cost 75 rubles a pair.

The relationship between individual workers and the director is one of the most interesting aspects of Soviet factory management.

In the first place, employees work seven hours a day, six days a week, with two weeks off a year. The factory provides employees with a free kindergarten, nursery, and club rooms.

The facilities of a maternity home are available without cost. Pregnant women are given two months off with pay before the child is born and two weeks more after birth. The infant goes to the nursery and kindergarten without

cost. The mother works only six hours a day for the first month. She gets a premium of about 150 rubles. One woman who had three children was given a house on the birth of the fourth.

If a dispute arises between a worker and the director, the worker appeals to the Trade Union, of which all workers are members. A committee listens to his complaint, and if the case warrants it, discusses the matter with the director.

Whatever decision is arrived at is communicated to the worker, who either accepts or refuses to comply with it.

If he is dissatisfied, the worker carries his case to the Central Committee of the Knitters' Union. If he loses again, he can keep right on going until he reaches the President of



All over the factory are instruction boards showing the workers how to perform each operation. Night schools are also provided

deposited in the State Bank by the stores contracting for merchandise. The actual amounts involved are determined by a cost evaluation arrived at by a committee representing the stores, the Trust and the factory. The final plan is subject to the review of the Narcomvnutorg or People's Commissar of Internal Trade. It is then presented to the Commissar of Light Industries who, once the plan is okayed, arranges for a release of the funds from the states' coffers.

Come what may, this original plan, which embraces every phase of production, cannot be altered by as much as a kopek. If costs of raw materials jump, or unforeseen expense arises in connection with machine repairs, or social work demands a greater share of the factory's income than was originally deemed neces-

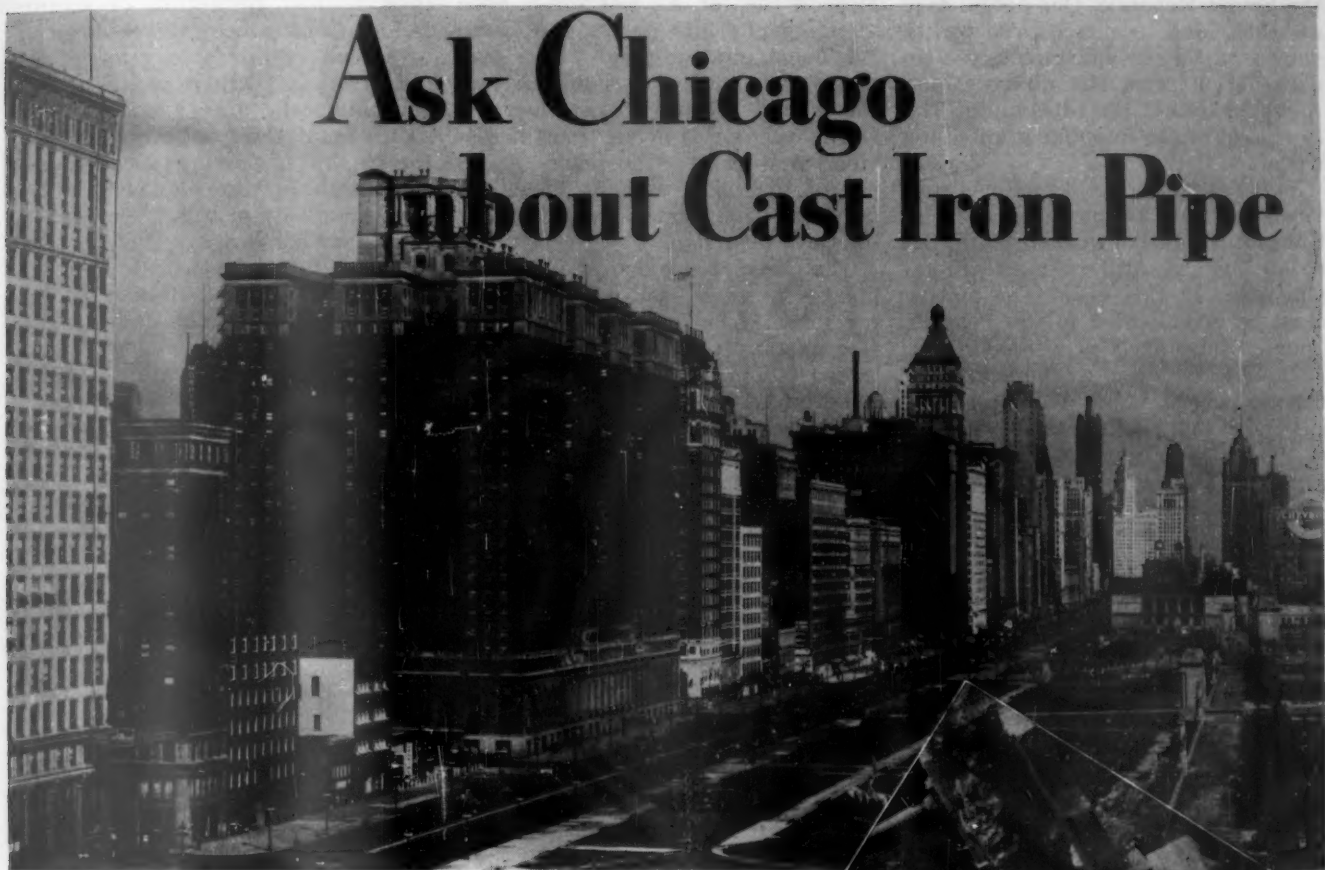
Light Industries which attempts to find out why. If the reasons are quite clearly beyond the Directors' control, and not due to inefficiency, the Government swallows the loss placidly. If inefficiency is the cause, a change in the direction usually follows. If the reason is sabotage or unforgivable stupidity, death is the penalty.

#### The uses of profits

TUSHINO TRICOTAGE has been profitable. The first nine months of 1935 found it 1,300,000 rubles in the black. Part of this profit goes to the Government. The rest is spent on "raising the cultural level of workers—" social work, entertainment, rest houses, and premiums to reward the factory's best people.

The "factory's best people" are





A satisfied customer will patronize his tailor or barber or drive the same make of car for years. But when a great city, with its changing administrations and engineering staffs, uses the same material for a vital public service throughout 86 years, it means more than good service. It means that cast iron pipe serves better than anything else that has been found. The City of Chicago has used nothing but cast iron pipe in its water distribution system since the first installation in 1851. Most of that original cast iron pipe is in service today. Chicago's experience is not exceptional. More than 95 per cent of the water distribution systems of our 15 largest cities consists of cast iron pipe. Cast iron is the standard material for water mains. Its useful life is *more than a century* because of its effective resistance to rust. It is the one ferrous metal pipe for water and gas mains, and for sewer construction, that will not disintegrate from rust. Available in diameters from 1¼ to 84 inches. For further information, address The Cast Iron Pipe Research Association, Thos. F. Wolfe, Research Engineer, 1011 Peoples Gas Building, Chicago, Illinois.



*A section of Chicago's original cast iron water distribution system, about 95% of which is in service today.*

#### CHICAGO says:

1. Her water distribution system is 100% cast iron pipe.
2. About 95% of the original cast iron mains are in service.
3. More than 500 miles of cast iron mains, laid 50 years or longer, are in service.
4. Oldest cast iron pipe in service—86 years old.
5. 3745 miles of cast iron pipe in the water distribution system as of December 31st, 1935.

# CAST IRON PIPE

The Standard Material  for Underground Mains



the Soviet Republic. One actual case of this kind occurred. A worker wanted a larger apartment, got no satisfaction from the director, and fought his case up to Kalinin. The President of the Republic granted his wishes.

In cases where the director is convinced, despite action taken even by Kalinin, that the worker is in the wrong, he can still refuse to reemploy him. In this event, the matter must be adjudicated in the People's Court, whose decision is final.

Trouble between workers and directors is rare, it is said. One reason is the barrage of propaganda directed at the workers. The chief means employed to keep workers happy are psychological, rather than pecuniary or arbitrary. The Russian worker, who seems to be a child-like individual, is made to like it, by a series of naive devices transparent only to a capitalistic eye.

It is done chiefly by pandering to the worker's vanity. The interior of Tushino Tricotage is plastered with workers' pictures. Every task commendably performed by a worker warrants his photograph on the Bulletin Boards and in the factory newspaper, between likenesses of Lenin and Stalin.

To encourage teamwork, red banners are awarded to groups who overfulfill their quota. The workers seem to lap it up. A photograph is worth more than five times its weight in rubles. So it seems, at any rate, today. Some officials believe that, in the future, with Soviet-bred workers, it will be possible to eliminate photos, together with all other profit incentives.

#### Cared for by factory

ALMOST everything the worker does falls within the scope of the factory. His life belongs to the factory. The worker and his family are assigned to factory-owned quarters, the best quarters going to the best workmen. Workers pay from 13 to 18 rubles a month for one room 30 feet square, with electricity, water, heating and bath. This rental pays only part of the upkeep. The factory shoulders the rest.

Occasionally the factory buys out the entire seating capacity of a large

Moscow theater. All workers in good standing pile into trucks and spend the evening at a play. These evenings are financed out of the factory's profit. No profits, no play.

The director is at all times accessible to workers, who walk in and out of his office without knocking, removing their hats, or apologizing for their intrusion.

The director speaks quietly, even humbly to these visitors. The director himself has risen from the ranks. He was a knitter in the same factory in the Czar's day, fought as a Red Partisan in the Bolshevik cause in 1917, and was specially trained by the Bolsheviks to assume his duties as director.

#### Psychology for more work

MOST of the directors were formerly workers. To improve the qualifications of workers, courses are organized in the evenings, and lists of students are published in the factory newspaper. All over the factory, too, are large pictures explaining the most efficient way to perform each operation.

Except in cases of straight sabo-

tage, counter revolution, or wanton failure to cooperate, the chief measures used by the factory to get the most from its workers are, to repeat, psychological.

One notable way of accomplishing this is by displaying great charts which show how the plan is being fulfilled month by month, in each shop. Good workers are glorified. Bad workers fall into social disgrace. Added to the social discomfort are the unpleasant living quarters assigned to the inefficient or lazy, a step familiarly capitalistic in its implications.

Returning to the manufacturing and administrative problem, a number of other interesting methods peculiar to the Soviet Union are noteworthy. Styling a line formerly was unheard of in Bolshevik Russia. Mass production without regard to fashion was all that mattered. Today, however, style is rearing her lovely—or, as the case may be, ugly—head and Tushino Tricotage employs a designing department.

When designs are completed, the socks are displayed in the Park of Culture and Rest in Moscow, where  
(Continued on page 83)



Tushino Tricotage is clean, well illuminated, airy, its equipment is good and its workers seem well fed and contented with their lot



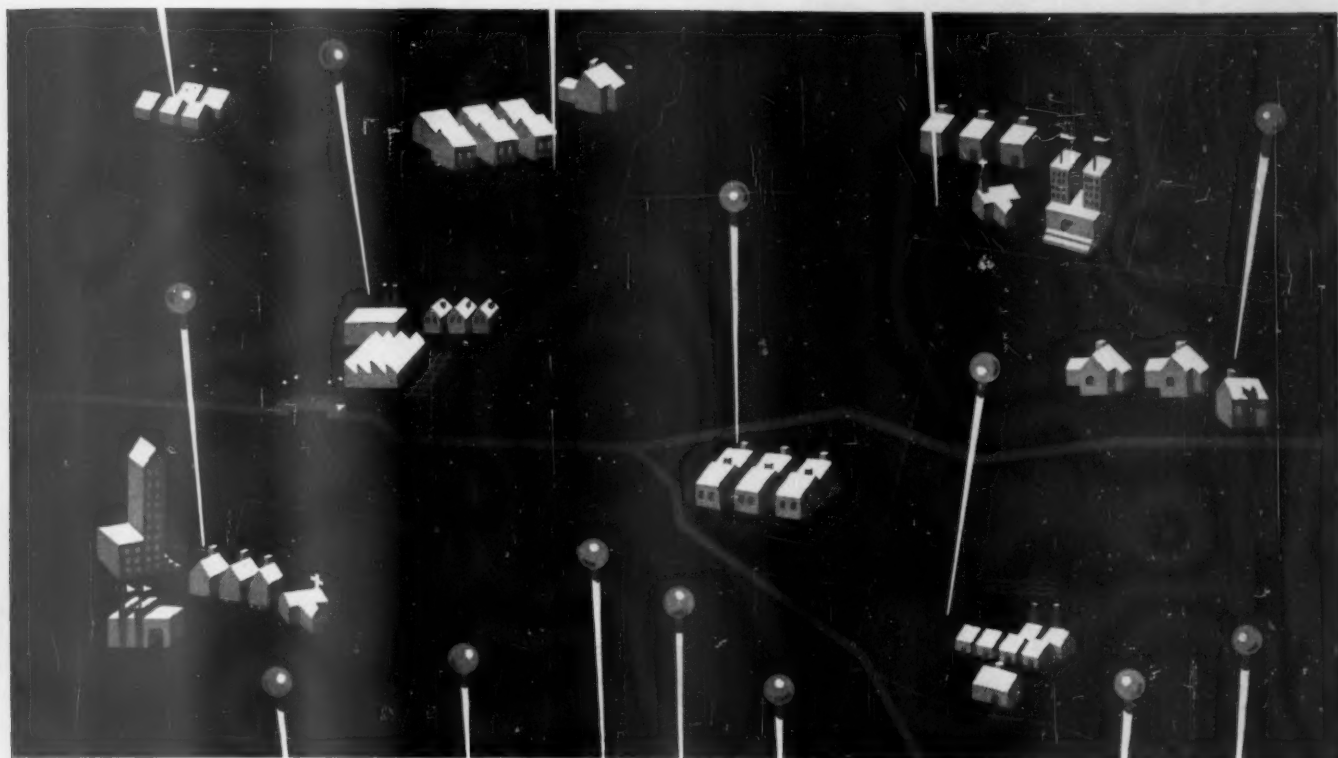


# Are there 100 towns like these pinned to your SALES MAP?

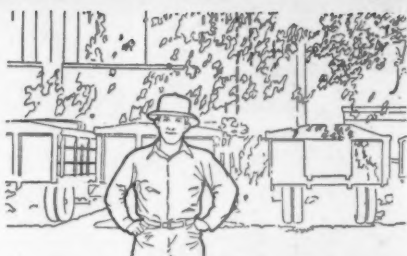


## Why a Pin for Chinook?

A population of 1,500 hardly qualifies Chinook, Montana, as a metropolitan trade center, but one day last November sugar beet farmers in and around Chinook received checks for \$425,000—first payment by one factory of one company on the 1936 crop. Throughout the nation it is the custom of beet sugar manufacturers to pay farmers cash for their beets—a large initial payment usually followed by additional payments. Even during the economic uncertainties of recent years these companies paid farmers an amount equivalent to more than a million dollars a week.

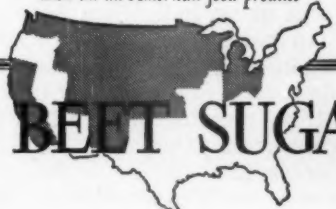


**P**INS go into your sales map where people spend money. You may not know how sugar energizes the economic life of Main Street, but Sugar City, Idaho, and Sugar City, Colorado, know what Radio City advertises—and order it! So do Logan, Blackfoot, Greeley, Oxnard and a hundred other sugar-beet towns from the Great Lakes to the Golden Gate.



Charles C. Morris leases acreage and grows beets for the Manteca, Calif., factory. Starting without equipment in 1930 on 80 acres, he paid for two tractors and six trucks the second year; now has capital and owns all needed equipment for growing sugar beets on as much as 700 acres.

An industry engaged in developing American natural resources, improving American agriculture, and supplying American markets with an all-American food product



Whether you sell ships or sealing-wax, you need prosperity in agriculture. Sugar beets are the most dependable cash crop, with highest value per acre, that can be grown throughout the great irrigated areas of the upland West. Beets create more employment and—most important to you who have something to sell—more purchasing power.

A non-surplus crop, the sugar beet radiates wide benefits: jobs on the farm for 150,000 men; jobs for thousands more in factories. Jobs on railroads! Jobs in coal mines, limestone quarries, cotton mills! Finally, another source of wealth in by-products of the beet, fattening millions of lambs and cattle.

The size and extent of the business flowing from the beet sugar industry is discussed in a booklet called "The Silver Wedge," sent on request.

# UNITED STATES BEET SUGAR ASSOCIATION

830 GOLDEN CYCLE BUILDING

COLORADO SPRINGS, COLORADO

# The Co-op Moves to the City

BY LESLIE G. MOELLER

Editor, the Bremer County Independent

**HAS** the city merchant anything to fear from cooperatives or can they prosper only in small towns? Des Moines, Iowa, may supply the answer to that question which is one that business men ask

**T**HROUGH 60 years of selling his neighbors on the possibilities of co-operation, Farmer John Jones has built up farmer-owned cooperatives which last year handled nearly \$200,000,000 in farm supplies and did about one-half of the consumer co-operative business of the United States.

Cousin Sam Jones, living in a small town, has been almost as active, has helped Cousin John set up more than 2,000 cooperative gasoline filling stations in the past 15 years and, with John, has organized and patronized countless other small town cooperatives.

Can Cousin Fred, a resident of Metropolis, do as good a selling and organizing job in the big city, the next world which consumers' co-operation proposes to conquer?

In a market where nationally advertised products can be established and maintained only through intensive work by highly organized and trained sales forces, can Fred and his fellow workers sell the abstract principles of "cooperative democracy" and the "cardinal rules of the Rochdale founders"?

What Fred accomplishes will be most important to the future of the cooperative movement and to private business as well because in cities of more than 100,000 population, now almost strangers to cooperatives, more than 46,000,000 persons make their homes and at least 45 per cent of the retail business of the United States is carried on.

Fred is making a start, but he has



With 160 shareholders, Cooperative Service is making a bid for a share of the Des Moines, Iowa, retail business. Below is a view of the grocery department of this consumer cooperative



a man-sized, long-pull job ahead of him, if conditions I discovered on a visit to the first and only consumers' cooperative in Des Moines, Iowa, can be taken as an indication. Although this ten months' old cooperative is getting off to a firmly grounded start in this typical mid west city of 140,000, it is meeting with all of the growing pains of any youthful business enterprise.

Known as Cooperative Service,

Inc., the new store is located in the southern fringe of the east Des Moines retail business district. It occupies a part of the first floor of the building of the Iowa branch of Consumers Cooperative Association, a fast-growing cooperative wholesale house with headquarters at North Kansas City, Mo. Seven years ago, this wholesale house—referred to familiarly as CCA—was only a struggling small oil unit. Now it han-



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### A chance to expand

WITH more than 200 retail co-op members all over the Middle West, CCA had for some time considered establishing a distributing point in Iowa. It found its chance in both building and territory when the Farmers Union Service Association of Des Moines, long an active cooperative wholesale, abandoned operation as a state organization. The building was an excellent one and, since the first floor contained a filling station and a grocery store with fixtures and equipment, the desirability of developing a local consumers' cooperative to operate these units was evident.

Des Moines residents who had previously corresponded with CCA or with the Cooperative League of the United States, national educational and coordinating organization of cooperatives, were brought together in the new enterprise. Included were a labor union organizer, an active Farmer-Labor party worker, and several other persons inter-

co-ops as such now have no great profit possibilities and are important mainly as keys to the larger profits in wholesaling and in processing. For him the founding of the retail cooperative is a step toward eliminating supposed "pyramiding of profits" through present control of manufacture and distribution by private business.

Another point was made by Director Harry Terrell, who as mid-west secretary of the Association for the Prevention of War has long been in touch with social movements, and through visits to Europe has gained first-hand information on work of cooperatives there.

"Through the consumers' cooperative movement, the farmer can get a greater share of the consumers' dollar," he said. Mr. Terrell also believes that the co-op movement ought to aid in reversing the rapid American trend to tenant ownership of farms, and thus incidentally, through wider ownership of property, serve to prevent the spread of communism and socialism.

Even with this interest and enthusiasm in the organizing group, it was somewhat difficult to get members and, in September, 1936, after

Members were recruited mostly from the professional and white collar groups; a number of Drake University faculty members are shareholders and regular patrons. Although union labor is usually in favor of consumer cooperatives and although some soliciting was done among labor groups, the number of union labor members is not large. Neither are farmers well represented, although it is proposed to make a campaign among farmer groups to get more members.

"I've bitten on too many things and I don't care to bite on any more," was the most common objection made by prospects, one solicitor said.

Added to this unwillingness to risk \$11 was a general lack of knowledge of the cooperative movement, and possibly even some suspicion as to the motives behind such an enterprise. Other prospects were satisfied with their present sources and methods of supply, were not inclined to patronize a unit so distant from their homes, or gave other reasons for refusing to join.

Most of those who did become members had previously been familiar with the cooperative idea.

"Most of those who join like the idea of buying from themselves," the solicitor said, while others feel "it's a good thing to split up business and get part of it away from the big fellows" and many persons naturally are interested in the cash-saving phase of consumers' cooperation.

### Gasoline and groceries

AVAILABLE now to these members are the products and services of a superservice station with a complete stock of auto accessories, a grocery store, with a meat counter, a line of paints, and such incidentals as roofing, wire, woven wire fence, field and yard gates, steel posts, fly spray, hog oil, and linseed oil, and a coal department.

Most unusual, perhaps, is the coal business. The cooperative does not operate a coal yard but instead merely takes orders and gives them to a coal dealer for delivery. The co-op gets a price advantage of five to ten per cent, depending on the kind of coal purchased. Members pay the regular retail price, just as if they bought direct, but will receive their saving through a patronage dividend, or profit rebate in proportion to their purchases, at the end of the year.

Assuming that each of the 160 members buys \$100 worth of coal, the co-op is able without soiling its hands or investing a penny to offer some dealer \$16,000 worth of business and, assuming an average price

(Continued on page 84)



Although many members buy their gasoline elsewhere, the business of the filling station is improving steadily

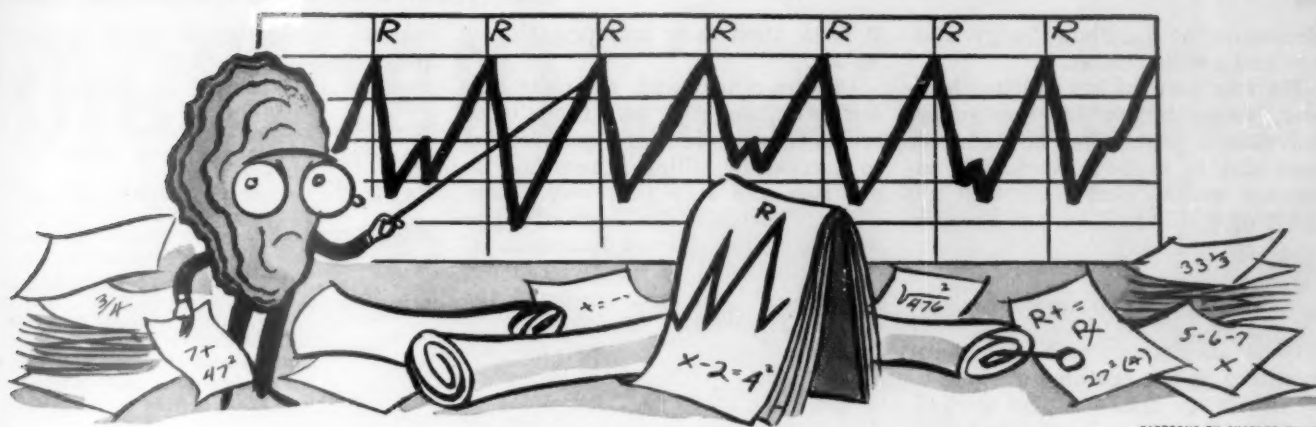
ested generally in social movements and specifically in the practical possibilities of consumers' cooperation.

President C. A. Olson, for example, is president of Grand View College of Des Moines, which trains its students in the principles of consumer cooperation and which also, under CCA sponsorship, has been the scene for sales schools for employees of cooperatives.

Mr. Olson believes that retail food

the store had been opened five months, only 160 shareholders had paid \$10 for a share and an additional \$1 as an organizing fee. In the early stages it was necessary to retain a Des Moines clergyman to sell memberships in the organization. He was interested in the movement but felt he should be paid for his soliciting efforts and expenses, so he received the \$1 organizing fee paid by the members he obtained.





# The System is Always Right

BY RUFUS H. JONES

ASTROLOGY, fortune tellers, sun spots and comic strips are a few of the aids employed by hopeful speculators in their efforts to make money in stocks

AT A CONVENTION of a prominent statistical society a few years ago, a leading statistician of a Wall Street house had his audience rolling in the aisles as he—with the greatest apparent sincerity and belief—solemnly expounded his "Oyster Theory" as a method of making money on the stock market.

With imposing charts to prove his argument, this statistician gravely propounded the thesis that bull markets in major movements never end in months without an "R" in them, whereas bear markets accompanying great business depression usually do. The careful statistical tabulations which he presented with great seriousness showed that all bull market peaks were reached during the oyster season, while all of the most devastating bear markets since the Civil War established their absolute lows outside the oyster season.

As a matter of fact, the Oyster Theory at one time had some truth in it. Credit stringency (when there used to be such a thing) would occur in fall and spring. A rising market not nipped in the spring stringency would go merrily on through the summer (months without "R") to fall. A declining market at the tail end of a depression downswing would receive its *coup de grace* in the spring stringency and dwindle to an inverted peak in the summer. It is a fact that the low in all of the serious industrial depressions has been reached in months when oysters are out of season.

Presented as a joke at which the

convention laughed heartily, it was nevertheless a solemn joke. For, although gaily championed by an experienced statistician who put no faith in systems, it is typical of the thousands of systems by which deluded people seek to get rich in the market.

## Too many variables

THE only excuse that tolerant people can give them is that, in these days of increasing political domination of business and finance, when so many factors impossible to anticipate veil the future, you can't figure out the market anyway, and you are justified in using any method that seems good to you to determine market trends.

"If you try to think it through, you're lost," many men with experience will say. Others, however, still prefer the method of careful systematic analysis of all factors which are known or may be possibly anticipated and to base their investment program on this solid foundation.

Recently a large New York bank, subscribing to the analytical method, placed an advertisement in the newspapers under the heading "Planetarium." It said that, to many of us, our

investments are like the stars, something we don't know much about, don't understand, and often neglect. Through its investment research department, however, the bank tried to bring to its customers a knowledge of investment similar to that which the planetarium provides with respect to the stars.

The next day the bank received a postcard from a man in New Jersey offering to chart the course of the investment market by the aid of astrology. The card offered a booklet explaining financial astrology—48 pages; charts . . . \$2 a copy.

The bank thought it was getting all the light it could hope for through the composite human judgment of its research staff and did not send the two dollars. But other prospects undoubtedly did because astrology is a favorite handmaiden of many speculators who play the market. And it sometimes is effective—for a while.

Take the case of Mr. X who came into the office of a prominent brokerage house and announced to the statistical department that he had at last discovered a system by which he could "beat" the market. Hardened operators listened to him cynically. They had met others who had "systems." Mr. X was a shabby man with

sleeves out at the elbow, baggy trousers and a wilted collar.

He was sure of his system, however, even though his appearance provoked a doubt that he had ever been able to make it work. His assurance was so convincing that old hands at the market let him bring in his chart each day.

### Systems work occasionally

TO the amazement and chagrin of operators in the customers' room of the brokerage firm, the plan worked. Each day for a week it predicted most accurately the course of the market. Some speculators began to believe in astrology.

They took tips from the chart and hit the market on the nose. Two weeks. Three weeks. A month.

Then, one day, in spite of the chart's prediction that the market should go up, it turned down and turned down hard. The man with the system picked up his chart and went home, baffled and unhappy. Two days later he returned and said he knew what was the matter. The system was all right. Only his interpretation of it was wrong.

Confidence in the system is characteristic of all investment wizards who by some divinely revealed sign or by some intricate calculation have found the way to beat the market. If

it fails, then their interpretation is wrong.

On the other hand, complete failure to manage your own funds often seems to be a necessary qualification to success in telling others how to get rich and stay that way. There was, for instance, the lady astrologer who modestly claimed international distinction—and, on her own reports, deserved it. She had predicted the death of Rudolph Valentino, "the Japanese disaster," Lindbergh's successful flight within 22 minutes of actual time, the difficulties of President Harding, the result of the Washington Arms Conference, the Millicent Rogers and Count Salm marriage, recognition of Soviet Russia by the United States, the death of King George V, the break in the stock market in 1929 and every major move in the market since 1929. In spite of this she went into bankruptcy with liabilities approaching \$900,000 against assets estimated at about \$123,000.

She was author of a report divined from the conjunction and interrelation of certain planets which presumably created spheres of influence over certain susceptible groups who in turn were sufficient to influence the entire market. Astrologists are usually specific as to what these influences will be.

One gentleman gives his clients a

careful day-by-day forecast, which goes something like this:

May 20	Geocentric Jupiter 45° of Neptune
May 19-23	Heliocentric Mars 60° from Jupiter—a fairly bullish influence
May 26-27	Geocentric Jupiter in conjunction with Pluto
May 30-31	Heliocentric Mars crosses the angle of 180° or 30° in the sign Virgo
June 10	Geocentric Jupiter 180° from Saturn or in opposition. <i>Markets always make bottom and start up just before Jupiter and Saturn reach opposition or conjunction</i>
July 21	Saturn square or 90° of Uranus. <i>This is bearish and usually stocks decline or market dull</i>
July 27-30	Uranus 135° of Neptune. <i>This aspect, as a rule, either breaks or makes the market dull or narrow</i>
Aug. 27-31	Mars 90° of Saturn—a square aspect and at the same time Mars 180° of Uranus in opposition. <i>These aspects nearly always cause sharp, quick declines</i>

At least the astrologists are open about it.

They admit the source of their inspiration and the investor can take it or leave it alone, depending on how much he believes the stars know about the stock market.

Other "systems" rely on nature for market tips but they are more vague on how nature comes across. For instance:

I figure things out by mathematics. There is nothing mysterious about any of my predictions. If I have the data I can use algebra and geometry and tell exactly by the theory of cycles when a certain thing is going to happen again.

If we wish to avert failure in speculation we must deal with causes. Everything in existence is based on exact proportions and perfect relationship. There is no chance in nature because mathematical principles of the highest order lie at the foundation of all things. . . .

### Buy low; sell high

THE discoverer of one such occult mathematical system is able to offer this basic rule to success in speculation:

"The way to make money in stocks is to get in at low levels at the right time and have patience to hold for the big selling opportunities."

He says further:

"My mathematical scientific forecasting method has stood the test of time. . . . Science beats guesswork . . . why not see and know yourself what stocks are going to do . . . I have made a success of my method myself and you can make money following the same rules. . . ."

Mystified but faithful, a commentator declares:

"There can be no doubt that he



Many speculators, eager to foretell the market, visit crystal gazers



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has made some remarkable discovery of a Master time factor or cycle that gives accuracy and makes him a public benefactor."

A market letter by another adviser reads:

Perhaps you are not yet aware that a **METHOD** has been **DISCOVERED** which shows in a definite manner the future possibilities of the market.

He says his predictions are based on scientific (always!) analysis and "unusual methods."

"This method has been called the Master Index which in the past pointed the exact direction of the market that amazed many." On the basis of this Master Index, its inventor issues an Annual Special Market Forecast which tells frankly and openly what will happen a year in advance.

"The unusual accuracy of the annual forecast, although written so many months before, causes me to wonder how you figure out the exact dates that the market will have a sharp advance . . ." a subscriber writes in naive bewilderment.

The sage replies in part:

"These forecasts are based upon the Forces of Nature. I call them Forces of Nature for they resemble the very same forces that cause the tides to be high or low. You know that tides can be forecast to the exact minute of their high and low points. We study similar natural laws that foretell the exact time when stocks will be at their highest or lowest points. . . ."

### The theory of sun spots

ONE of the most enchanting "nature systems" is the Sun-spot Theory. People who know about sun-spots say that they have a remarkable effect on human activities including the stock market. Sun-spots are stimulating, it appears. In a period of many sun-spots there will be wars, strikes, and bull markets. On the other hand, in a period of few sun-spots, there will be peace, trade will be quiet, and the volume of speculation will be small. Theorists say they don't know why it is, but sun-spots coincide with bull markets.

Many speculators, eager to foretell the market, resort to mediums. A friend of mine, who has a taste for that sort of thing, in 1933 visited a lady crystal-gazer who, by exercising her psychic powers, told him that 1934 was going to be a year of inflation with stock prices zooming to ethereal heights.

One day a man came into the office of the New York Stock Exchange and said:

"You fellows are always in trouble with the SEC, aren't you?"



People who know about sun-spots say they have a remarkable effect upon the market



Statisticians of the Exchange overlooked his exaggeration and nodded.

"Then how would you like to be able to show the SEC that nothing anybody connected with this Exchange could do would affect the trend of stock prices?"

The man was an engineer and with an engineer's characteristic impatience with or disregard for all except inanimate factors with which he is used to dealing and the action of which can be accurately forecast, he declared that the trend of the stock market could be predicted—even a year in advance!—with no regard to earnings statements, dividend declarations, or corporate news reports. Psychology, he said, had no effect whatsoever on the basic trend of the market.

His system was based on the theory of compound complex harmonics.

"It's so simple," he said.

The idea came to him in 15 minutes. He was standing in a brokerage office watching the ticker when suddenly it occurred to him that the course of the market could be charted in advance. He turned to a friend, a broker, and told him that stocks were going up.

"I've been in this business 40 years," the broker said, "and I don't know what the market is going to do. So how can you?"

The broker's lack of confidence was echoed by the Exchange which, having examined the engineer's charts based on historical action of the market, found it difficult to persuade him to extend into the future any one of

his four lines—drawn in blue, brown, red, or green crayon—predicting what the market might be expected to do in the future.

When asked to outline his theory in detail, the engineer told an interested investigator—Wall Street is always interested to find a way to beat the game—that it was arrived at by means of calculus and higher mathematics and to explain it "would take too long."

The system of compound complex harmonics offers a formula which will chart the action of any individual stock, bond, or commodity, or any stock, bond, or commodity average, business index, or curve of industrial production.

No one has as yet sponsored the plan.

Another plan which leaves laymen mentally confused is known as "Terminal Fractions" but has much more to recommend it. It is based on the theory that professionals will trade odd eighths, whereas the individual investor will put in his order to buy or sell at even prices, quarters, or halves.

### Recurrence of fractions

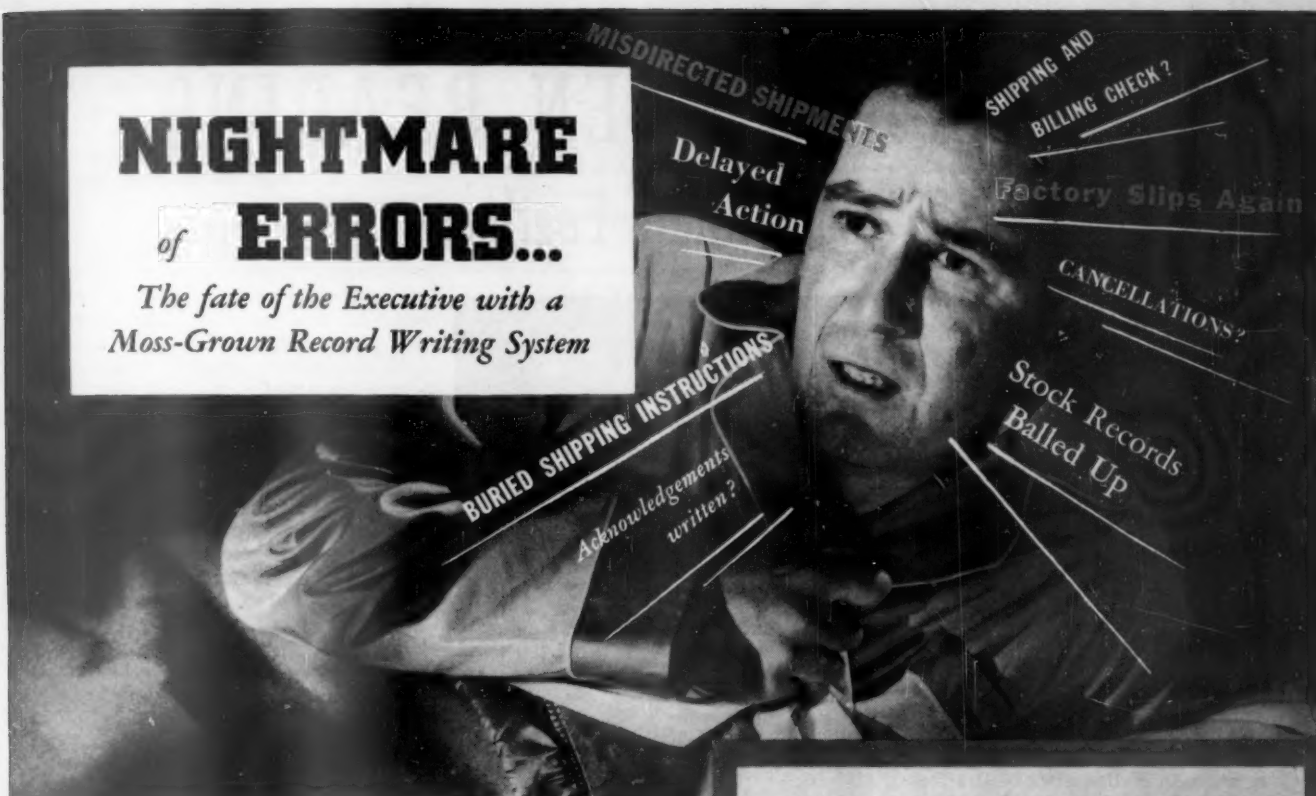
THAT is, if I were willing to buy XYZ stock at  $10\frac{1}{4}$ , a professional might step in with a bid of  $10\frac{3}{8}$ . If I am ready to sell at  $10\frac{1}{4}$ , the professional will offer his stock at  $10\frac{1}{8}$ . By reviewing the entire range of stock market prices daily, the man who claims to be the expert in "terminal

(Continued on page 82)



# NIGHTMARE of ERRORS...

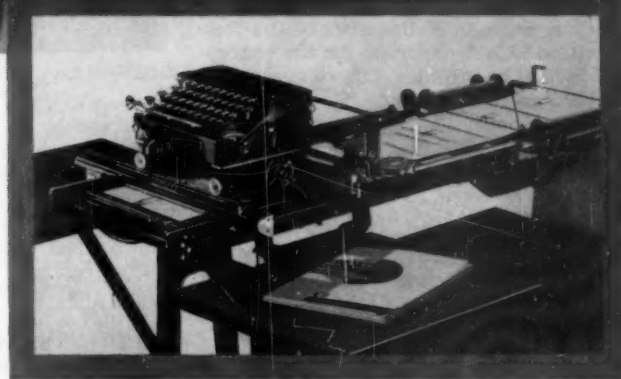
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# WHAT I'VE BEEN READING

By William Feather



Kent E. Keller

**K**ENT E. KELLER, representative in Congress from Illinois, writes lucidly and brilliantly about the current state of affairs in the U. S. A. The title of his book is "Prosperity Through Employment," or "A job for every man and woman who wants to work." The preliminary manuscript was completed in 1931, two years before the inauguration of the New Deal. The book makes slight mention of the Roosevelt Administration, but the inference is that the New Deal is all right as far as it has gone, but that it hasn't gone far enough.

Congressman Keller goes to the Declaration of Independence for the concept of what he thinks this Government should do for its people. He begins and ends his book with this quotation:

We hold these Truths to be self-evident, that all Men are created equal, that they are endowed by their Creator with certain inalienable Rights, that among these are Life, Liberty, and the Pursuit of Happiness—that to secure these Rights, Governments are instituted among Men, deriving their just Powers from the Consent of the Governed.

You had better read that quotation again, because Congressman Keller contends that only those who accept the Declaration are Americans; those who reject it remain foreigners. If true, it's a neat way of classifying your friends.

Young men, who have been wondering what all the arguing is about, would do well to read the whole book, from cover to cover. It presents with exceptional clarity, and with as much fairness as can be expected from an advocate, the faults of the American scheme.

Of the excellencies of our scheme it has little to say, and yet it is these excellencies that we must exploit if we are ever to overcome our deficiencies.

*Prosperity Through Employment, by Kent Ellsworth Keller. Published by Harper & Brothers, New York*

The author does not explain, for example, that we are on earth, not merely to help ourselves, but to help Nature. Depressions mean that we are not efficiently helping Nature to express energy. Big Business, or what we know as machine service, is man operating with Nature. Nature, as well as man and Big Business, has its rights. Nature does not favor or reward idleness, wrangling, shiftlessness, stupidity, or

greed. If, amid plenty, men can't cooperate and peacefully distribute the fruits of their efforts, they will be punished surely and remorselessly, Declaration or no Declaration.

Congressman Keller, however, is confident that panics and depressions are not inevitable, but are strictly man-made. He figures out that the losses due to the panic of 1929 amounted to \$62,000,000,000, and that the costs—the

*A World I Never Made, by James T. Farrell. Published by the Vanguard Press, New York*

losses entailed—by all panics since the Civil War amount "to a minimum of a trillion of dollars." Since our direct war costs for the same period were only three per cent of that sum, the author asserts that it is not war but panics that are bleeding us white.

He makes no clear distinction between good business men and bad business men, but he is certain that the hope that business can restore prosperity is vain. He says:

The proof that business cannot restore prosperity lies in the fact that during the six years of devastating depression following the panic of 1929, there has not been an idea expressed by organized business even suggesting a way out—not a single constructive policy for restoring prosperity—not a single constructive thought has come out of the mystery of the higher chambers of commerce—nothing but criticism of what has been undertaken. If business knew how to cure this depression now, it would have known enough to prevent it. If Big Business were capable of provid-

ing jobs, capable of working out a plan to provide jobs, it would have been put forward long ago. If this is not true, where is their plan?

*A Dictionary of American English, Part 1, A-Baggage. Published by University of Chicago Press, Chicago*

Of course, a few months have elapsed since that was published. Business has been doing a considerable job in putting men back to work in the past two years, although the number of unemployed is still a national disgrace. Congressman Keller's suggestion for an immediate correction of this situation is to build a great system of canals, one from New York to the Mexican border, and another from the Gulf to the junction of the Ohio and Mississippi. Then there would be road-building, river and harbor improvements; in short, what we have been doing on a modest scale would be done on a gigantic scale.

All this, he says, can be paid for in 25 years and our national debt wiped out as well. It is an ambitious program, but it smacks too much of the Townsend vision.

I am suspicious of any plans for improving the economy of this nation which leave business men out of the picture.

If anything is done and the business man is left out, it is false. As we have said before, the sole purpose of government is to function as an umpire in this operation. When the politicians undertake to usurp the field of business, they are out of bounds and the consequences are certain to be tragic for all concerned.

At the depth of the depression it was business—in the large sense—that was employing three-fourths of all that were employed, and paying for the sustenance of the unemployed. A system that works as well as the American business scheme does not deserve to be cursed and raided in the attempt to correct a few faults.

If the American people knew what it was that makes this nation prosperous and insures jobs and a decent living standard for all, they would be unconcerned with politicians. It is our ability to harness energy and employ machine service that has lifted us out of the mud and given us the comforts and conveniences that we now enjoy. If, for the sake of uncertain security, we



jeopardize free business enterprise we shall have made a sorry bargain.

IN HIS latest novel, James T. Farrell takes his readers into the homes of the O'Neills and O'Flahertys, and, to be quite frank, he takes them into the bedroom occupied by Mr. and Mrs. O'Neill, and into the outhouse patronized by Mr. O'Neill and his Negro neighbors. This book reeks with foul smells and foul talk, much of which seems unnecessary and yet it is impossible to escape the conclusion that it is an accurate and powerful picture of life among the lower middle class in Chicago in 1911.

In "Studs Lonigan," reviewed here a few months ago, and in "A World I Never Made," Farrell has put into words all the impressions that his own childhood in Chicago left in his mind. Let us hope that he has wearied of, if not exhausted, the subject, for those of us who regard him as the most proficient of the young American novelists are ready for a new theme.

The characters in this book are sketched in vivid colors, deftly and competently. They range in age from a newborn babe to a tough old grandmother who drinks beer, smokes a pipe, and occasionally gets drunk. Mrs. O'Neill, the daughter of the old woman, is the mother of a brood of children to which one more is added at ten to twelve months intervals. Mrs. O'Neill, who rarely washes her face or dusts her house, is a devout member of the Church, and is always buying charms, paying for prayers for dead relatives, or sprinkling holy water under the bed. Her husband is a teamster for an express company. They love their children and do all they can for them, but Mrs. O'Neill's refusal to make the least effort to limit the number of her offspring puts a heavy burden on the Lord, her husband, and her unmarried brother and sister.

That there are thousands of O'Neills in Chicago and elsewhere there can be no doubt. The recitation of their shortcomings, superstitions, failures, and degradations makes us realize that this is an imperfect world and that Utopia is a long way off.

One reviewer says that this book will surely rank among the two or three best novels of the year, and others may place it first; but when I asked a member of my family why she had not finished it, she answered that there was nothing important enough in it to make up for its unpleasantness. That, I suppose, reflects the literary standard of a feeble intellect, but it does seem to me that Farrell ought to get on to a new scene. He has written nearly all there is to say about Irishtown.

THE University of Chicago Press has published the first section of "A Dictionary of American English." This initial release includes the words beginning with the letter A and the earlier portion of B. Funds for this worthy undertaking were provided by the General Education Board of New York with further contributions from the University of Chicago and the American Council of Learned Societies.

Eligibility for admission in the dictionary was limited to words in use before the turn of this century, a rule which eliminated the coinages of Walter Winchell.

I found interest in the number of combinations that Americans have invented for *back*.

To mention a few: *backbone, back country, backwoods, back farmer, back-*

*woodsmen, back track, back trail, back-action, back log, back number, back pay, back seat, back talk, back taxes, to back and fill, to back down or out, and last but not least in memorable esteem, backhouse. Backside, peculiarly, is not listed under the definition that one would expect, but is "that side of a space or building which lies to the rear of it."*

## The Big Job of Cleaning

(Continued from page 33)

lar firms dealing only in this one commodity. Silk and hosiery dyeing is many times done by a "job dyer," having no connection at all with the firm producing the material being dyed. A bleachery may cover many acres, but not a square foot of it is devoted to weaving.

Tanning is another important division of the cleaning industry. Sole leather, chamois skins, top leather, and variety leathers of all kinds are thoroughly cleaned in their trip from raw material to finished product.

The cleaning industry does business in no skimpy manner. In our southern states millions of board feet of lumber are annually dipped in hot alkaline solutions to prevent sap stain, thus protecting the commercial value of the timber. Whether it is beer or milk bottles, cotton tubing, or soiled dishes, six and even seven figured numbers are daily standards of accounting in this gigantic industry.

The metal cleaning division of the cleaning industry is perhaps the most rapid in change, and the most highly technical. The commercial application of lacquers was made but a comparatively few years ago. Lacquered vanity cases are credited with being the first commercial item to receive the new finish. Today, dyes are replacing lacquers for finishing some metal items. But whether it is lacquer, or dye, or chromium plate which is deposited on metal, cleanliness is essential before a perfect finish can be achieved.

The rapid rate of change of the metal working industries has developed a "rumor squad" par excellence. Already rumors are heard of plastic auto fenders, plastic window frames, and plastic gadgets which will reduce by hundreds the number of workers who now spend their time performing metal cleaning operations.

Those who depend upon the metal cleaning division of the cleaning industry are certainly not in a position to rest on their oars.

Metal furniture, pocket knives, bird cages, kitchen enamel ware, auto gears, the decorations for base burn-

ers (yes, Mr. City Dweller, thousands of the old, dependable base burners are still produced yearly. A fair percentage of them is sold on Manhattan Island) locomotive air pumps, golf clubs, ten cent hammers, and five dollar wood planes, metal jewelry, and auto blocks, hot and cold water faucets, and vanity cases, all require specialized cleaning before they are marketed. In some railroad shops it is not unusual to clean 12 tons of work daily.

### A school for cleaners

STRANGE and wonderful are some of the by-ways to the broad path to cleanliness. In several parts of the country, school janitors, hotel maids, and building porters are sent to regularly conducted schools where right and wrong methods of cleaning are carefully analyzed. Every large city boasts several firms that specialize in beer coil cleaning. To date, no record of any school for beer coil cleaning has been found. Washing an auto is a comparatively simple operation. But keeping streamlined steam and diesel locomotives spic-and-span demands different treatment. Entirely new cleaning materials have been developed for this particular operation.

Cleaning in the home is generally accomplished with two materials—soap and a cleanser. The many commercial divisions of the vast cleaning industry require more than 80 different materials.

Cleaning is today both a vast and a scientific industry. "Elbow grease" may never be entirely eliminated from some cleaning operations, but much progress has been made in this regard. The alkali chemist, the practical observer, and the cleaning material manufacturer have combined to "cut costs" and to make possible "bigger and better" accomplishments in the many divisions of the cleaning industry. The 40 per cent to 60 per cent of the total working time of the world devoted to the many kinds of cleaning makes possible happier, healthier, and more interesting lives for all of us.

# What's Ahead for Congress

(Continued from page 17)

House revolt on the CCC camps last session must have been impressed by the elemental forces which defeated the Administration's attempt to cut them down.

This creates the wonder, too, as to what will happen this session when, in the request for smaller relief appropriations, the Administration discloses its plan for a systematic, businesslike reduction of relief rolls as private industry takes up the slack in employment.

Other old laws which must be continued, adjusted to new conditions or allowed to die are numerous. Several other forms of federal financial assistance to private business and farmers will come up for reexamination. The Commodity Credit Corporation Act expires April 1, and so does the insurance of new modernization loans under Title I of the Federal Housing Act. The statutory life of the Electric Home and Farm Authority will end February 1.

## Taxes will come up again

THE tax problem will be precipitated by termination of the present excise taxes on gasoline, radio sets, mechanical refrigerators, firearms, automobiles and parts on July 1. Three-cent postage likewise expires on that date unless there is legislative action to continue it.

The Administration's tax plans are clothed in much doubt. Intent as it apparently is on balancing the budget at the earliest possible date, there appears little chance of repealing the excise and "nuisance" taxes unless substitutes are offered that will promise as much return. A more pressing question of taxation is the matter of amendment of the Revenue Act of 1936.

The international side of the picture will be turned to the light May 1 with the expiration of the Neutrality Act, and again on June 12 when the President's authority to negotiate reciprocal trade agreements runs out after its prescribed three years of operation. The present neutrality act was a compromise between certain extreme factions in Congress, neither of which was satisfied with the result. Its whole intent was to give the President power to regulate commerce in arms and materials of war in a way to keep the United States out of interna-

tional difficulties. One faction wanted the power mandatory and the other wanted it discretionary, if at all.

Other expiring acts and the subjects they will put before Congress include: The "hot-oil" law, providing federal control of interstate and foreign commerce in petroleum produced under authority of state laws; that portion of the old Agricultural Adjustment Act which provided for sugar quotas through 1937; acts creating the first and second Export-Import Banks; the act establishing a Federal Emergency Administration of Public Works; the various acts providing for protection of state banks under the Federal Deposit Insurance Corporation, and the act setting up the separate Soil Conservation unit in the Department of Agriculture.

Effort doubtless will be made to reenact most of these, or to cover their essential functions into some other act. It appears improbable, at least for the present, that the Administration is prepared to let lapse any great number of the temporary authorizations through which it has pursued its policies of relief, recovery and reform during the past three and three-quarter years.

## Budget and reorganization

AS TO the new legislation to be offered or pushed in the new Congress, the story is yet to be told. A general effort to bring the budget into balance, reorganization of the executive structure to effect greater efficiency as well as economies, and inauguration of a long-range program for aid to tenant farmers and low-cost housing for the city dwellers are on the Administration's calendar, and may, before the end of Congress, entail the enactment of several far-reaching permanent laws. Especially is this true in the matter of governmental reorganization, to effect which the President is expected to recommend an omnibus bill, perhaps revamping the entire federal structure.

But the Administration's program may not be the only one before Congress. Labor is expected to attempt to follow up the advantage it claimed by its voting strength in the recent election by placing and keeping before Congress the 30 hour week bill. Success of this measure will depend ultimately on the attitude of Presi-

dent Roosevelt, however, and so far he has indicated no favor for it. Whether labor again will use agitation for the 30 hour week bill as a lever for reviving the principle of the NRA, or whether it will bend all of its energies for its own measure, remains to be seen.

## Regulation of business

WHETHER there will be any serious legislative approach by the Administration to the question of industrial and trade regulation at this particular session is not yet clear. Many proposals have been discussed, including enactment of a federal licensing system and federal incorporation act. The chief objective seems to be to tighten governmental control over hours and wages. Numerous suggestions have been made relative to regulatory legislation for particular industries, along the lines of the invalidated Guffey Coal Act. Still others have suggested the possible broadening of the Federal Trade Commission's authority to promulgate trade practice conference rules.

Proposals for new legislation also include acts dealing with crop insurance and farm tenancy—advisers of the President are pushing both, with a \$500,000,000 ten-year program of federal aid for the latter; aid to consumer cooperatives; abolition of the basing point as a method of price adjustment; modification of the long and short haul clause; new food and drug legislation and extension of federal authority to deal with holding companies.

Some of these have gone no further than general discussion, others are being studied seriously by administration officials, and still others have been considered at one time or another by committees of Congress. Yet, the final success or form of any of them will depend largely on President Roosevelt. A single individual has hardly ever been in more immediate control of a democratic government than the President is today. His control in Congress is expressed in terms of unprecedented majorities in both Houses and it is safe to assume that, until some shakedown occurs, until his own majorities begin to break up into blocs, which might well happen late in this session, he will be master of the congressional program.



# *This Year* **REACH FARTHER FOR \$ALES**



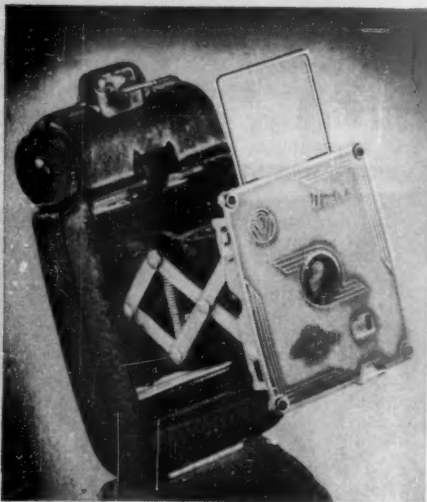
**S**tay at your desk if you need to, yet go where you will. Widen your field. Multiply your contacts. . . . Long Distance will take you to a dozen states in a day—a dozen cities in an hour. You can follow up inquiries, sift out live leads, make appointments for personal visits, avoid long lobby-waits, keep in touch between trips—quickly and inexpensively. . . . Reach for your telephone and reach for more business in 1937. The local telephone company will show you definite dollars-and-cents ways of doing it.



**LONG DISTANCE RATES ARE NOW LOWER THAN EVER**

## PAINT

*That the eye may keep the picture it sees—  
Camera.*



The using of a camera is something to marvel at. There are over 16,000,000 of them in America alone. And for every picture per capita in this country, four per capita are taken in England. Picture taking is the universal hobby—you can indulge in it at seven or seventy, and your indulgence can run from a camera costing "two bits" to one costing "two grand."

The Univex fits in neither of these categories, but it has some amazing records of its own. To date 4,500,000 of these cameras, ranging in price from 39c to \$2.50 have been sold. Production is at the rate of 10,000 per day. Look at these figures on finishing the aluminum die cast body of the Univex. 3600 per hour are sprayed with Sherwin-Williams Kem Art Metal Finish.

All the spraying is automatic, and the finish is absolutely uniform. And Sherwin-Williams engineers and chemists cooperated right on the job with Univex finishers (H. S. Products Finishing Corp.) to develop the perfect texture, leveling, hiding, uniformity, beauty and durability necessary—all this at a rate of 3600 per hour.

Sherwin-Williams engineers work at both ends—in your plant and in the Sherwin-Williams laboratory. This combination of our research experience with the specifications of finishing your product to your demands is the combination that means economy in production, profit in sales. Why not let us obtain paint dividends for you too? Write the Sherwin-Williams Co., Cleveland, Ohio, and all principal cities.

**SHERWIN-  
WILLIAMS  
PAINTS**



## Toward Safer Highways

**W**HAT to do about safety is no academic question to the Lumbermen's Mutual Casualty Company. In September, 1935, this company launched the "Not Over 50" Club, an organization dedicated to the safety of those who walk or drive on streets and highways. Originally introduced in connection with a radio program, this new idea in automobile safety won a spontaneous response. More than 300,000 motorists now hold membership in the Club, and hundreds more are joining daily.

Members of the Club agree to limit their top speed on the open highway to 50 miles an hour and to observe a creed of nine other common-sense, safe driving rules. There are no dues or burdensome obligations. The only responsibility of members is their pledge to help make streets and highways the safe thoroughfares they were intended to be. Each member receives a membership card, a rear window emblem (in those states where its use is permitted) and a small red arrow bearing the words "Not Over 50" which, when pasted on the speedometer pointing at the fifty-mile-an-hour mark, serves as a constant reminder of the pledge.

### Cars have higher speed

FOR many years the number of fatalities and injuries due to automobile accidents has been growing at only a slightly faster pace than the increase in the consumption of gasoline, the unit of measurement which, since it reflects the miles which motorists travel, most fairly represents the exposure to accidents.

While fatalities were down in number in 1932 and 1933 as compared with preceding years, the rise since that time has been rapid and reflects clearly a new influence that has only become important in recent years. What happened to bring about this increase? Highways became no narrower. Lighting became no poorer. The bodies, chassis, brakes and other equipment of cars themselves even became safer.

One factor did, however, change drastically. In 1929 not more than one car in ten could cruise comfortably at more than 50 miles an hour. Something like 50 per cent of the cars on the road were incapable of a top speed of more than 55. Today, even the lowest priced cars will exceed 80 and cruise at 70 or 75.

Look at the problem from another angle—that of the statistics compiled by insurance companies and police departments. Here we find excessive speed as the greatest single cause of serious accidents, directly responsible for one accident in four and a contributing factor in nine out of ten accidents.

Taking thought of the automobile fatalities in 1935, it turns out that the rate of death per accident on highways and at rural intersections was 215 per cent greater than between city street intersections and at city street intersections.

One conclusion is inevitable, the Lumbermen's Mutual believes. If the daily tragedies on the nation's streets and highways are to be reduced, driving speeds must be reduced.

The "Not Over 50" Club strikes squarely at this problem. Not only does it make a vital contribution to safety on the highway but it is an important influence in curbing accidents in towns and cities as well.

The ordinary driver will tend to reduce his highway speed from 15 to 20 miles an hour when entering a town, passing a school or approaching a dangerous intersection or railroad crossing. A motorist who has been driving 60 miles an hour will slow down to from 40 to 45 under these circumstances. The driver who has been traveling at only 50 will automatically drop down to 30 or 35.

The Club arrow, emblem of the Club, serves as a constant reminder to drive safely at all times and under all conditions on city streets or open highways. It makes a silent appeal to every driver whenever he glances at the speedometer, to drive safely.

Carrying its campaign for highway safety still further, the company, with the American Motorists Insurance Company of Chicago has created the Kemper Foundation, named in honor of James S. Kemper, president of both organizations. This foundation, through a grant of \$5,000, will provide ten fellowships for police officers at the Traffic Safety Institute of Northwestern University. The scholarships, providing nine months of resident study and practice of traffic control, will be available to officers in any part of the country. Their purpose is to train policemen in proven methods of traffic control and to enable them, by applying these methods in their home communities, to improve highway safety.



# HOW *Curious*

## SHOULD A MILKMAN BE?

A NIGHT WATCHMAN should be curious enough to investigate an open window or the smell of smoke. A top news-reporter hunts the news behind the news. An alert bank-teller studies a strange face at his cage. How curious should a milkman be?

Curious enough never to stop focusing his microscopes on milk, so that he can know for himself it is always pure and safe. Curious enough to seek scientific answers to unsolved dairy problems . . . to pioneer, with test-tube and retort, beyond the borders of present-day knowledge. Curious enough to look for new uses for milk and milk-products.

By these and other standards, the SEALTEST SYSTEM OF LABORATORY PROTECTION qualifies as a curious-enough milkman.

Its hundreds of technical workers are on duty day and night in the Sealtest Laboratories — and in the production-rooms of Sealtest member-companies — testing and guarding the purity and quality of its products. Its research work, directed by some of the nation's foremost scientists, has made many valuable contributions to the advancement of dairy knowledge. In the Sealtest Laboratory Kitchen, it experiments with new recipes and menus to increase the consumption of dairy foods . . . to expand the farmers' milk market . . . to strengthen the bodies of young and old.

How curious should a milkman be? Curious enough to learn all that science can tell him about every phase of his product. That's how curious a milkman should be. That's how curious the SEALTEST SYSTEM OF LABORATORY PROTECTION is.

. . . . .

SEALTEST SYSTEM LABORATORIES, INC., maintains a unified program of dairy research and laboratory-control directed by some of the country's foremost food-scientists. A separate division of National Dairy Products Corporation, it awards the Sealtest Symbol to those foods produced by National Dairy Companies under Sealtest supervision. Found on the nation's leading brands of ice cream, milk and other dairy products, the Sealtest Symbol is the buying-guide of millions of consumers. Make it your guide too.

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**THE SEALTEST SYSTEM OF  
LABORATORY PROTECTION**

# A Conversation with Presidents

(Continued from page 22)

working principle that unchanging environments for many people breed unchanging ideas. In this connection a president who deplores the dwindling tempo of associates may profitably compare their yearly mileage with his own. As age advances, increasing mobility seems increasingly essential to maintain the alert and inquiring viewpoint. The administrator is fortunate whose organization is such that executives may be transferred to new areas, if not to new responsibilities, when signs of intellectual ennui appear.

## Distributing association benefits

AN ALLIED policy is the requirement of active executive affiliation with the trade association or similar body. Opinions vary in this area due to the normal uncertainty of use or misuse of such opportunities. One president requires that attendance on company expense be followed by immediate distribution to all executives interested of pertinent excerpts or brief digests from papers, discussions or conversations.

I recall the surprise with which I learned a few years ago of the real reason for rating scales as advanced by the chief executive of a large corporation. This company had made extensive use of the rating plan. Employees were frequently evaluated by foremen; foremen by superintendents; superintendents by vice presidents, and so on. I had challenged the statistical validity of the resulting arrays, due to the subjective quality of the measurements.

The president replied, "True enough. We realize that objective data are to be desired, and we are using our findings with caution until procedures are improved. But even if conclusions were completely valueless in themselves the detailed and reasoned scrutiny that our executives are now required periodically to give to all their immediate subordinates makes the procedure many times worth the effort."

One minor suggestion, the most recent that has come to my attention:

A management engineer of my acquaintance is introducing into the plants of his clients the observation of a "quiet hour" during which all inter-departmental telephoning is discontinued, conferences cancelled, and secretaries or assistants instruct-

ed to protect their chiefs from interruptions or distractions of all sorts. Executives are advised to plan attacks upon their most complex or entailing problems at this daily hour, and attending to routine of any sort is frowned upon. The procedure is proving highly salutary. Indeed, it appears to fall into that rare class of industrial innovations that is much more difficult to remove than to introduce.

There remains one further implement which I consider important. It is the stimulus of properly organized research. Too many view industrial research as an affair of secrecy conducted within guarded walls. Instead, it should be an activity whose roots and branches reach throughout the organization.

Here I am not speaking of troubleshooting, or process engineering. I am referring to an attack upon some major and fundamental problem in your industry wherein intensive and sustained, coordinated and cooperative thought over long periods is essential. This is the sort of research that never reaches completion without the organization of a centralized thought department.

And I would recall that a research department is nothing but a department to promote thought, and that nothing comes out of the department but thought. That is all. Now it is a combined administrative and executive responsibility to determine upon basic problems of such magnitude that you may wisely assign them the best creative brains you can obtain, and anticipate sustained effort over a period of two or three or four years. It is the solutions of only these problems that can pretend to enhance the future security of your business.

Can your executives be brought to contribute such inquiries? Some presidents have found so. Research committees not only provide outlet for creative thought but offer incentive and encouragement to imaginative reasoning.

I would suggest three precautions in the bestirring of thought.

First among these is the avoidance of competitive situations. I once watched a group of divisional sales managers who were vying with one another for the approval of their chief. Not only were their individual projects held secret from their associates, but there was little or no transfer of ideas.

We must not forget that competition is the life of trade but not of an organization—nor particularly of that portion of the organization which most nearly approximates the family in its inter-relationships. Had these divisional managers been challenged with regional quotas based upon scientific determinations, their efforts would have been equally spurred through comparisons with attainable possibilities—and collaboration would have been welcomed.

A second precaution. I once knew a contractor who argued that his executives, in times of lean business, became so habituated to lessened tempo of thought and action that the stimulus of new and fascinating construction was not enough; that, as he put it, he had to "give them hell" before they finally were shaken out of their recently acquired ways. I cannot bring myself to subscribe to these methods, although there may be times when such procedures seem essential. I know of at least one instance where such volcanic conduct brought breakdown resulting in death. And this leads me to my final precaution.

## Age and health

WE MUST admit that age lays a different hand upon every person. Moreover, wives have their way. I have seen the lives of two young men unquestionably distorted and their normal contribution lessened through the influence of well meaning spouses whose earlier years were stricken with the passing of able but imprudently energetic fathers. Yet it is rarely the work that kills. I have it from an estimable industrial physician in a progressive company that the health of executives throughout the depression was unquestionably better than during previous periods. Yet there should be the precautions of medical science. An executive who is not sufficiently loyal to his responsibilities to undertake frequent periodic physical examinations can hardly be entitled to the benefit of the doubt as to his physical condition.

But abruptness in retirement is even less justifiable than abruptness in promotion. To assign activities which reflect declining capacity is sensible. Wisdom is often the last of human values to wane.

So I come to the last topic of this one-sided conversation with presidents. How about you?





## REPUBLIC STEEL AT WORK

● When you see tractors and road machinery in operation—you see Republic Steel at work.

When you watch a lawn mower or a complicated piece of farm machinery in action—a railroad train thundering through the night—an electric washer quietly doing its duty in your basement—you see Republic Steel at work.

For Republic's fine carbon steels are used, in one form or another, by nearly every industry that builds in metals.

You have heard much about Republic's famous specialties, such as Toncan Iron, with its resistance to rust—Enduro, the perfected stainless steel

—the new Double Strength Steel—the Agathon alloys—Electric Weld pipe—and many others.

The same metallurgical skill, the same insistence upon doing things well, that have made these specialties so widely and so favorably known, are your assurance of uniform quality in Republic's carbon steel and the more conventional tonnage products.

With strategically located plants, and with offices in all principal cities, Republic is in a singularly favorable position to serve you. Call a Republic representative. He is more than a salesman. He has been specially trained to help you in applying steel profitably to your products.



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*Approximately forty cents out of every dollar that Republic Steel takes in, is redistributed in the form of wages among 49,789 employees in thirty-nine plants in twenty-seven different cities. These employees, with their immediate families, number close to 200,000 people, who through their individual purchases help to support thousands of others in their respective communities.*

## ON TO WASHINGTON ON THE "RAILROAD WITH A Heart!"



Jan. 20th  
New Inauguration Day  
Still the best way to Washington  
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● This transportation system boasts the "common touch." That complete understanding of both passengers' and shippers' needs is best expressed in the phrase, "The Railroad with a Heart."

**THE GEORGE WASHINGTON  
THE SPORTSMAN • THE F. F. V.**  
The Finest Fleet of Genuinely  
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George Washington's Railroad  
Original Predecessor Company Founded by  
George Washington in 1785

I am not so concerned about presidents, because founder-presidents are still in the majority among our industries. There is some inner source of power in the founder that seems to flourish almost to the close of life itself.

Only last week I talked with a president who remarked, "I've made money enough. I have all I can ever want. I'm ready to pay my associates anything within reason if they will but show the perspiratory concern for this business that it must enjoy to live and prosper. Today, with everything going well, no one but me seems to see the hard, hard thinking that must be done at once."

And, as many times before, I faced the question that rose in my mind, "How should the man to succeed him be found?"

I happen to believe that profits are not the prime objective of the industrial establishment. I happen to believe that service with profits is not the prime objective of management. I happen to believe that continuity is the great responsibility of the industrialist, because, by assuring continuity, he performs his greatest social service. You have ample proof for this point of view. During the unfortunate years just behind us, how many presidents put profits before continuity? Of course profits are essential to continuity, as are raw materials, equipment, cash, and all of the other elements of production. But continuity is the basic objective, as I see it.

A business, like a family, faces senescence and death only when its directing members bring such calamity upon it.

Industry is still too young in America to have developed an established technique for insuring continuance. We are still a nation of founders.

The technique of presidential withdrawal is not clear, but some rules of action are appearing. When the chief executive reaches the age when six or seven out of the seven or eight persons he meets on the street are younger than he (your insurance agent will tell you these birthdays) his intuitions and experience in relation to his markets are fast becoming unreliable. Consequently his judgment in matters of sales policy should be the first to be transferred.

Next, productive processes, built as they are upon the rapid advances of modern science, facing, as they do, the great hazards of interindustrial competition, must be placed in hands which are more habituated to rapidity of flux. Finally finance may be gradually turned over.

In future years, as in the present,

I believe the office of chairman of the board will prove more than a retiring room at the top of the stairs. In the inevitably closer relationship between government and business, this post will rise to even greater significance than at present. The industrialist may well make his last and greatest contribution to his business from this point of vantage.

But the great satisfaction of witnessing the continued effectiveness and usefulness of the structure that you have reared has a cost which eludes the medium of money. You, alone should train your successor.

Again, we know almost nothing about training presidents. Three successful instances with which I am familiar involved the preparation of sons to follow their fathers. In many instances this procedure is neither possible nor desirable. One of my acquaintances believes that the way to learn lies in trying his hand in the training of young men for high posts in his own or other establishments.

He believes in catching them young, bringing them into his private office, inducting them into the intricacies of the three hundred odd reports he receives monthly. After a year at this, the novice pursues his round of experience within the plant, but now with a different viewpoint. Each week he sits with others on a sort of junior board, and is given from among contemporary problems an unusually difficult nut to crack. A week later, after discussion, he is told of the presidential decision and the reasons therefor.

Perhaps you will disagree with this procedure. Perhaps you will say this president's success is due to his selection rather than his training. I do not know. Only this is sure. He does it himself and he tells me that he considers no other responsibility more important. I think he already knows who will succeed him, but on this point he is not too talkative.

I hear what you are saying. If you are under 65 you are saying:

"This may be all very well, when the time comes."

But here is the difficulty.

If you are more than 65 you are saying:

"But this is all damfoolishness—I feel as young as I ever was."

Not long ago, I was told of a president who, in his fifties, planned for his retirement. Not only did he take proper steps in matters of organization, but he caused a by-law to be passed irrevocably requiring retirement of all company officials at the age of 65. When his day came and the board assembled for the foreordained action, he literally begged on his knees that exception be made in his case. It will be hard for all of us.



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## Readjusting the World's Currencies

(Continued from page 20)

gold production, and the gold mining industry, which had suffered seriously during the war, rapidly revived.

After the Armistice, most of the gold that was hoarded and inactive during the war came back into active use. Slowly but surely the world returned to the gold standard and this de-hoarded gold, the increased volume of gold pouring out of the mines and increasing economy in the monetary use of gold were together sufficient to meet the demands involved by this return. By 1927, most countries were back upon a gold basis. The value of gold as measured by its purchasing power over commodities was unusually stable from the latter part of 1921 until the world crisis of late 1929.

### Reduced the gold value

MOST of the nations on returning to the gold standard did not try to reestablish their pre-war gold parity but rather stabilized at the greatly reduced gold value of their paper monetary units that prevailed at the time of the stabilization. In other words they stabilized at gold values representing the *status quo*. France, for example, stabilized at 3.92 cents to the franc instead of the pre-war 19.3 cents and Italy stabilized at 5.26 cents instead of 19.3, while countries which experienced runaway inflation like Poland and Germany created new monetary units representing large multiples of the value of the prevailing paper units. Germany, for example, stabilized at the rate of a trillion paper marks to one gold mark.

Such stabilization reduced to a minimum the resulting disturbances to existing scales of prices and wages.

A few European countries, however, whose currencies suffered depreciation in terms of gold undertook to return to their pre-war gold monetary units. Among these, the outstanding country was Great Britain. After the exchange controls that were maintained during the war were released, the gold value of the pound depreciated rapidly until it reached a low in February, 1920, of \$3.195. Thereafter it rose slowly, but with many interruptions and some rather strong reactions, until the gold standard was reestablished at the former gold parity in the spring of 1926.

When England returned to this

## "I Use a DITTO GELATINE Duplicator"



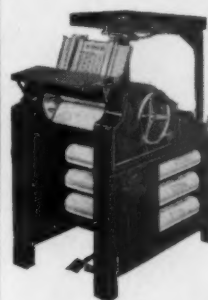
### "BECAUSE IT SERVES MY PURPOSE BEST"

"I was one of the first to investigate the merits of the liquid type duplicator. In fact I had a liquid machine in on trial. I know by actual test that the gelatine type machine will do my work better and cheaper."

Whether you need a liquid or gelatine type machine depends entirely on what use you have for the machine. Because Ditto manufactures and sells both types of duplicators, Ditto representatives can make intelligent, unbiased recommendations as to the machine that will serve your purposes best. Ask the Ditto representative for his recommendation.

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SO MUCH  
SOFTER

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Copies of all advertisements in full page size of these reprints or for use as stuffers in envelopes may be obtained by writing Nation's Business, Washington, D.C.

gold basis of \$4.87 to the pound she did so by a long and painful process of deflation, through which the gold value of the pound was raised about 52 per cent from its extreme low, and this deflation program was adopted against the advice of many of her leading economists and financiers and against the judgment probably of most leading economists in other countries.

Great Britain's economic troubles during these years and the years immediately following may be attributed in no small part to this vigorous deflation policy.

During the period 1921 to 1929, prices in England for most of the time tended strongly downward. During this period in the United States, however, commodity prices as measured by our leading index numbers were comparatively stable.

This deflation of the pound imposed a heavy burden on British exports because, as the gold value of the pound rose, the exporter received less and less pounds for a given amount of gold money coming to him from abroad in payment for goods exported. For example, a shipment of merchandise netting him \$100,000 in the United States would yield him £30,000 if the exchange rate were 3.33½ and would yield only £25,000 if the rate were 4.00. Ordinarily the exporter's costs did not decline nearly as rapidly as the gold value of the pound rose.

### Increased financial burdens

DEFLATION also increased the British Government's post-war financial burdens by raising the value of the pound in which her huge domestic debt and her pensions were payable. Most important of all was the fact that Great Britain could not reduce the wages of labor as the gold value of the pound rose. The trade unions were strong and their resistance was effective. This meant increasing gold costs for the products which Great Britain was exporting in competition with the rest of the world. For a substantial part of this period her export trade was actually declining and she was not holding her own in her competition for world trade with the United States, Germany and other important competitors. By reason of her insular position and her small territory, the United Kingdom's welfare, however, was more vitally dependent upon foreign trade than was the welfare of her principal competitors.

Beginning with the crisis of 1929, commodity prices in gold standard countries throughout the world suffered a catastrophic decline. Confidence everywhere fell to a low point.



There was a world-wide scramble for gold for purposes of security and the value of gold accordingly, *for the time being*, rose greatly in terms of commodities.

England had been going through a long period of deflation during which she was raising the value of her paper pound from the equivalent of \$3.195 gold to the equivalent of \$4.87 gold. Shortly after she had gotten the paper pound back to gold parity and while she was still suffering the debilitation resulting from this long deflation process, the value of gold itself rose enormously as a result of the world economic crisis and this brought on a still further strenuous deflation.

Great Britain's gold standard broke under the strain, and on September 21, 1931, England suspended gold payments. Following this suspension, the gold value of the pound rapidly declined, averaging 40 per cent below the old dollar par in 1935.

#### Another burden on gold

THE monetary systems of the world, already under heavy pressure caused by the world economic crisis, now had to meet the onslaught caused by the breakdown of sterling. England's departure from the gold standard carried with it the gold standards of many other countries including most of the British Dominions and colonies, the Scandinavian countries and a number of South American countries.

It threw the world's currencies into disequilibrium and gave rise to many exchange wars.

In the next few years country after country gave up the gold standard and even the United States with the largest supply of monetary gold in the world joined the procession in early 1933. By the beginning of the year 1936 only a few countries remained on their pre-depression gold standard. Belgium and the United States had devalued and returned to gold.

This situation brought chaos in the field of international trade and international finance. It is a generally recognized principle that, when the foreign exchange value of a country's monetary unit declines, commodity exports are stimulated and commodity imports are retarded. Exchange depreciation acts like a bounty on the export trade and like an import duty on the import trade. This is a temporary situation and lasts only until prices and wages can be brought again into equilibrium. The stimulus to exports and the retarding of imports are part of the mechanism which restores this equilibrium, but the process takes time and

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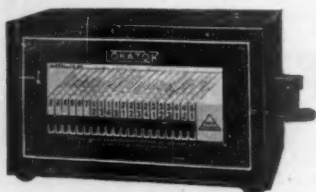
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is usually painful. The exchange-stimulated exports are unwelcome in the countries into which they come and in consequence these countries put restrictions upon what they call exchange dumping.

On the other hand, the extra burden placed upon the import trade of the country with the depreciated currency creates new vested interests in uneconomic industries. Competition for markets under these conditions piles up restrictions on international trade.

In exchange wars of this kind all countries suffer. Carried to their logical conclusion, they amount to a *reductio ad absurdum*. A nation that adopted a policy of continually depreciating the value of its monetary unit in order to stimulate exports and retard imports would be continually giving more and more of its own goods to foreigners and receiving from them less and less of their goods. A country does not get rich that way.

#### Advantages and disadvantages

DURING such exchange wars, however, countries which do not devalue their currencies seem to suffer handicaps. They lose their export markets to the cheap money countries and this reacts unfavorably on their domestic industries and on the national budget.

If these countries have sufficient strength, economic and political, to stand such punishment until prices and exchange rates, abroad and at home, are brought again into equilibrium, all is well and they may, in the long run, prove to have suffered less from the experience than the countries which devalued their currencies. But it is a difficult situation to put them in.

The recent devaluation of France, Holland, Switzerland, Italy and Czechoslovakia will tend to bring their monetary units into closer equilibrium with those of the countries that had previously devalued, and will remove many of the handicaps under which these gold bloc countries have been suffering recently in their competition for the world's export trade.

They will, however, also make these newly devaluing countries for a while much stronger competitors than they recently have been with the countries that previously devalued.

All this will be in the direction of a more stable equilibrium, if the countries concerned keep their heads and do not permit themselves to be drawn into new exchange wars by reason of the temporary shifts of advantages and disadvantages in

foreign trade competition caused by these recent devaluations.

While nothing in the agreements so far made requires a return to gold, the logical outcome of these arrangements, I believe, will be the reestablishment of an international gold standard.

Such a gold standard is the only basis upon which the enduring equilibrium in the international exchanges contemplated by the agreements can be maintained. Of course such a gold standard cannot be entirely automatic.

All currencies must be more or less managed and a substantial amount of international cooperation effected through the instrumentality of central banks will be required if any enduring international stabilization plan is to be effected.

There is no appreciable sentiment in the world today for either a silver standard or a bimetallic standard. In a few places like the United States, England and the Scandinavian countries there is a substantial opinion in favor of some kind of managed currency, commodity standard. But even in these countries the weight of intelligent opinion is probably in favor of the gold standard. Certainly that is true of the United States.

We may conclude with the statement of the famous Macmillan Report of England made a few months before England went off the gold standard in 1931:

... There is, perhaps, no more important object within the field of human technique than that the world as a whole should achieve a sound and scientific monetary system. But there can be little or no hope of progress at any early date for the monetary system of the world as a whole, except as the result of a process of evolution starting from the historic gold standard. ...

## Don't Overlook the Physicist

(Continued from page 28)

of particularly fine draping qualities, or of another cloth that will readily return to its original shape and form. Incidentally, by the use of this machine a highly improved synthetic yarn has been developed recently.

Another apparatus was developed for quantitatively measuring divergences in the diameter of a yarn or wire. Every thin part of yarn is a potential source of breakage, and every thick place reduces the total length of yarn per pound. To ascertain the distribution of thick and thin spots of a yarn (a strictly phys-



ical characteristic), the yarn is guided carefully behind a feeler with a mirror. A ray of light reflected from this mirror dances upon a screen or falls upon photo cells. In this manner, the distribution of high spots and low spots in the yarn sample can be measured.

A mill may have as much as four per cent difference in the yardage of the yarn produced. At the conservative production of 200,000 yards a week, a mill may lose 8,000 yards, or gain it.

At 50 cents a yard, this is a gain or loss of \$4,000 a week, which may be controlled by this test and in this single instance physical thinking has saved several manufacturers of textile material many thousands of dollars, improved the quality, and decreased the cost of textile products.

### Physics is advancing

PHYSICS is coming into its own now in the textile industry, in metallurgy, in medicine, electrical and mining engineering and many more. But almost innumerable are the fields that have hardly been touched as yet by this most useful tool of up-to-date knowledge.

In the exchange of heat, the control of air currents, the measurement of color, the propagation of voice, and in various other fields, the physical approach can build the basis for new engineering developments, and can improve existing methods. The far-sighted executive today encourages cooperation with the industrial physicist.

Only by the expansion of the most advanced type of research and development can industry protect itself and its investors against the obsolescence of the methods used.

Viewed from this angle, proper research becomes a necessity to safeguard stockholders.

Not only as a creator of new facilities and a safeguard and improvement of the older ones is present day physics of importance. There is one more angle which seems particularly important under the fiscal policies of the present government.

It is interesting to note that the use of current earnings for the stimulation of research and development is one of the few constructive expenditures that are not penalized with tax and surtax under the Revenue Act of 1936. This gives the up-to-date concern a way of consolidating profits and reinvesting them into a progressive program by which its present products may be improved, and new ones created. It is, therefore, profitable to direct a part of current earnings toward the research organization.



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a matter of minutes. There are no blades in the Schick. You cannot cut nor scrape yourself. You use no lather, no preparation whatever.

Any Schick dealer will demonstrate one for you. If no dealer is near, write to Department N.

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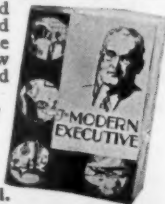
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## SCRAPPING TRADITION



Three and a half pounds lighter. Scratch-proof finish. Quieter. New convenience features. Smart, modern contours... There's the modern formula for more vacuum cleaner sales!

Thirteen new plastic parts help make this new Hoover the most salable cleaner on the market. Motor-housing, connectors, crevice-tool, etc. are molded of Durez—half the weight of aluminum, non-resonant, and fabricated complete in a single operation. Other plastic parts are the tear-drop motor cover, blower attachment, ventilating fan, bag attachment and core plugs.

Redesigning with plastics means more than new sales arguments, too. With the new Hoover, demonstrators can't chip the molded hood, and thousands of dollars in factory refinishing are saved. And the Durez parts are made in one operation, complete to holes, lugs, imbedded inserts and final lustrous finish.

Perhaps you have a product which can be redesigned in Durez...which can use the lustrous, chip-proof finish, the marvelous lightness, the noise-muffling quality of molded Durez. You'll find it gives new sales features and new production savings.

Why not let Durez bring these same advantages to your product? For further information and a copy of free monthly "Durez News" write General Plastics, Inc., 151 East Walck Road, North Tonawanda, New York.

**GENERAL PLASTICS'**  
**DUREZ**

**DUREZ** is a hot-molded plastic, simultaneously formed and finished in steel dies. **STRONG...LIGHTER THAN ANY METAL...HEAT-RESISTANT...CHEMICALLY INERT...SELF-INSULATING...WEAR-PROOF FINISH.**

## The System is Always Right

(Continued from page 62)

"fractions" determines the relationship between odd eighths and quarters, halves, and even numbers.

If, in a series of daily prices, there suddenly appears a preponderance of "oddeighths," that indicates a professional market which in turn augurs a change in the trend of stock prices, either up or down, depending upon whether the preponderance of "eighths" occurred on the upside or the downside of the market.

Charts of varying complication are most popular among forecasting "systems." As an aid to intelligent speculation, charts are necessary, of course, in that a knowledge of the past helps to a judgment of the future. But as infallible "systems," charts are pooh-poohed—except by the people who think them up.

"If any one says he can look at the little blue line and tell you what the

price resistance levels are a necessary part of the professional operator's stock in trade.

The belief that action of the market itself is the best indication of what the market is going to do has been made the basis for many methods or systems of market forecasting. Assuming that all those factors which directly or indirectly may influence the market normally will be reflected in the action of the market, one method based on understanding the technical aspects of the market goes so far as to tell you that, having mastered it, "... you need never read anything on the financial page of your newspaper except the table of stock prices and volumes. You need pay no attention to the news, earnings, dividend rates, or statements of corporations. You need never study the financial or business situation. You need not understand



Each week he buys all the Sunday papers. From the comic strips he makes his market forecast

market is going to do, just get up and leave him," is advice from one market analyst. "Either he's crazy or he's trying to fool you for some purpose."

As a mechanical means for evaluating the market's future, chart systems would actually be worthless if they worked. Because, if everyone, guided by charts, knew when to sell and when to buy, each would want to sell and buy at the same time. The market would become so one-sided as to cease to exist.

As a basis for the exercise of individual judgment, data such as share accumulation, distribution, and

railroad or industrial statistics, the money market, the crop situation, bank statements, or foreign trade..."

But of all the systems for predicting market action, it is the comic-strip method of forecasting which really makes play out of work and keeps drudgery out of speculation. This is perhaps the most unusual theory of all, though it has never been explained. Its inventor, employed by a New York brokerage house, refuses to talk. But each week he buys all the Sunday newspapers. Then on Monday morning he sits down for a spot of forecasting.



Carefully reading each funny sheet, he makes certain esoteric checks which he correlates when he is finished. His "system" will probably die with him.

A more practical method is known as the "gossip system." Its originator was a telegraph operator in a large brokerage house who started picking up confidential information on stock transactions from the wires sent out by influential customers, and selling it as a tip sheet. Discovered, he was fired. But rumor says he still flourishes by paying rewards to other telegraph operators, still employed, who give him the significant information.

But, a veteran market commentator has this to say, "no matter what systems you analyze, some sound pretty funny . . . even those which are supposed to be normal."

## How Communism Runs a Factory

(Continued from page 54)

people vote on their favorites, entering their suggestions in books provided for the purpose. Only the winners are included in the final line. New styles are offered every quarter, 15 colors and designs making up the average new line. Eight different qualities of hosiery are manufactured in the one plant.

The relationship between factory and store is also strange to the American observer. In case of dispute between store and factory—if, for instance, the store rejects a case of stockings and returns it to the factory, and the factory Director denies that the fault is his—the matter is adjusted in a Court of Arbitration. Two persons represent the store, two the factory and one the Peoples' Commissariat. The decision of this last member usually settles the matter. If the factory is wrong, it must pay the store an indemnity, with all shipping costs borne by the party found at fault.

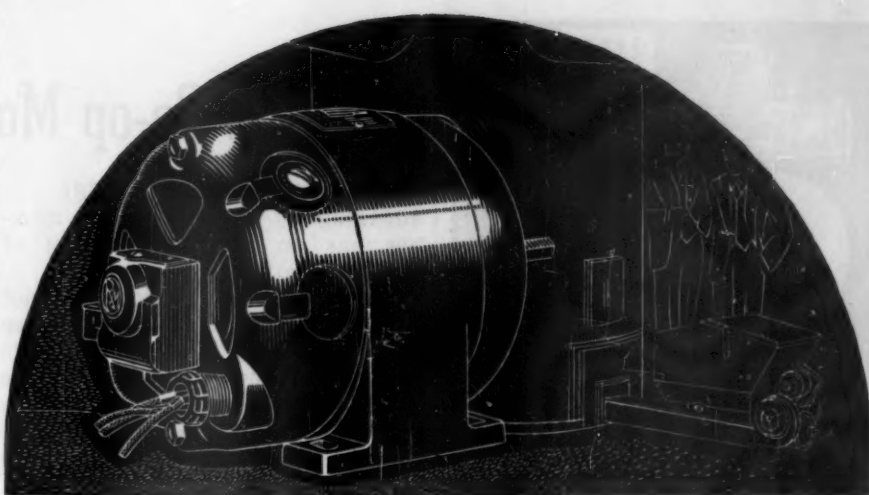
Tushino Tricotage is clean, well illuminated, airy. Its equipment compares well with many American mills. Workers seem well fed and content.

But the questions that inevitably enter the mind of the departing visitor as he climbs the hill that separates the factory from the Moscow highroad are these:

First, how will the system work when production more nearly equals demand?

Second, how long will it be possible to keep these childlike people happy with their pictures on the wall?

What, in short, will happen when Russia grows up?



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If the stoker-builder hands the motor job over to R & M, that's your cue to stop worrying. It's a sign that you have a good stoker, with a motor that laughs at overloads and starts with a vim when the thermostat calls for heat. . . . In case you don't know it, we build these better motors for the

best manufacturers of electric appliances of all kinds. When you buy, look for R & M on the motor. . . . If you make electric equipment, R & M experience in building better motors for more than forty years is at your service. . . . Robbins & Myers, Springfield, Ohio; Brantford, Ontario.

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**30¢ 60¢**  
SLIGHTLY HIGHER IN CANADA

**Alkalize with Alka-Seltzer**

**HEADACHE**  
NO HEADACHES, SPOIL OUR SHOPPING DAYS, THANK GOODNESS, WE ARE WISE.

**LIKE OTHERS, WE HAVE FOUND IT PAYS—TO ALKA-SELTZER-IZE**

**IF AFTER-DINNER MISERY CREEPS IN, TO CAUSE US WOE.**

**A GLASS OF ALKA-SELTZER IS THE FINEST THING WE KNOW.**

**I WISH I KNEW JUST WHAT YOU DO—TO KEEP BAD COLDS AWAY.**

**I'LL PUT YOU WISE I ALKALIZE, THE ALKA-SELTZER WAY.**

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It heats uniformly and thoroughly the entire working area.

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55 Seventh Ave.  
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## The Co-op Moves to the City

(Continued from page 58)

advantage of 7.5 per cent, the member has an immediate saving of \$7.50 on his \$100 purchase.

While such certain savings are not immediately assured in the service station, most of the members are well pleased with the performance of the Co-Op brand gasoline and oils, Manager W. A. Clement said, adding that the already satisfactory volume was improving steadily. However, there are too many casual customers who buy profitless one- and two-gallon fills, and too many buyers purchase the competitively priced sub-standard gasoline instead of the more expensive "regular." Products and services are sold at prevailing prices.

The same regular-price policy prevails in the grocery store, although the store does use the customary week-end specials and the special deals offered by wholesalers and manufacturers. These specials are advertised through a weekly mimeographed letterhead-size bulletin sent to about 300 member and non-member customers. The bulletin also contains information about the work of the cooperative.

Little or no attempt is made to get transient traffic, possibly because the number of such transients is small since the store is outside the regular retail district and at the same time some distance from any sizable residence area. Special prices are not advertised on the windows in the accepted style of the chains and aggressive independents, and most of the standard-brand merchandise in the display windows or within the store is unpriced or marked quietly. There is little emphasis on price.

However, much emphasis is placed on the cooperative movement through the display of numerous placards such as this:

### THE MOST FOR THE LEAST MONEY

The private store exists to make money; the cooperative store to give service. Consequently, the aim of the private store is to give you the LEAST possible goods for the MOST possible money, while the aim of the Cooperative store is to give you the BEST and MOST possible goods for the LEAST possible money.

In contrast to this emphasis upon cooperation is the absence, except for corn flakes, paint, and a dozen or so other items, of the "Co-Op" label on merchandise. This is, however, soon to be remedied for CCA is setting up a wholesale stock to service the Des Moines store and other nearby co-op units. Absent, too, is the "suggest-

another-item" sales method which has built unit sales tremendously for many stores.

So far one of the Des Moines cooperative's biggest difficulties has been the failure of shareholders to patronize it.

Many of the members buy their gasoline elsewhere, which is no great reflection on the unit since these members may live from three to ten miles distant. Non-members buy about as much gasoline from the co-op as members do, so that it probably has as much business as if it had the entire business of its members and nothing else. (There is also a noticeable volume from members of cooperatives in other sections who are "passing through" and stop upon seeing the "Co-Op" sign.)

### The members shop around

THE grocery unit meets the same difficulties. Many members still shop around, picking up specials or taking their whole business where prices are lowest. Other members prefer brands not carried by the store. Some members never patronize the cooperative. Some buy a considerable part of their supplies from neighborhood stores because it is more convenient. Others, even though they live at a distance, "save up" their orders and buy in large quantities when they do visit the cooperative.

On the whole, the store probably sells its members 50 to 60 per cent of their food, and it also gets a considerable amount of non-member business. A certain part of this comes from persons who have not bought shares, but who purchase merchandise and allow their non-member patronage dividends to accumulate until they own a share without having made a cash investment.

President Olson indicated that the co-op expected eventually to add a delivery service to members without a service fee.

Establishment of a branch in northwest Des Moines near Drake University is also considered.

For that matter, no great patronage dividend is expected from the first year's operations because of the costs of organizing and getting started. A better patronage dividend is expected for the second and succeeding years. Members are also to receive six per cent interest annually on their shares.

The presence or lack of such a dividend will make little difference



# RE: RETAILERS

## and the **GREAT LESSON!**

Nearly everyone will concede that retailers are pretty smart. And they are; have to be to stay in business. Keen competition in these days of returned prosperity requires keener selling.

Most retailers get most business through advertising—newspaper advertising! So it is not amazing that they spend about ninety per cent of their advertising dollar in newspapers—because they get RESULTS!

From retailers comes the GREAT LESSON. Not that you will wholesale them more goods if you run a national campaign for them—but that you will sell them more goods because the demand is tremendously increased—by your national newspapers campaign and their local newspaper campaign.

In its essence it boils down to doing what the retailer does.

In many cities it boils down to . . .

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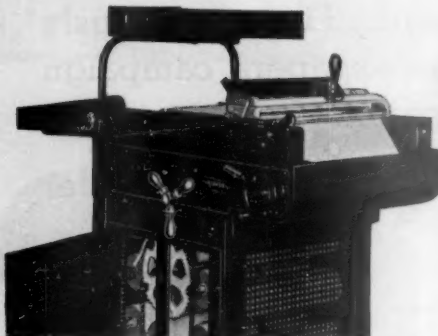
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to about one-half of the membership, Mr. Terrell commented, since that group is concerned with the cooperative movement as a social program and not as a device for saving money. The other half of the membership, Mr. Terrell felt, is definitely interested in the possible saving.

Officials feel that progress is made and that the unit is on a satisfactorily firm foundation. By the end of the first year, in February, 1937, President Olson believes the co-op will have 300 members.

To reach this number, a series of neighborhood educational meetings is planned. These will be held in different parts of the city at the homes of members, with friends invited to hear informal discussions of the cooperative movement and of the success of the local unit. Workers from the educational department of CCA headquarters at North Kansas City, Mo., will undoubtedly assist.

In this educational program may be the key to the future of the big-city cooperative.

## Careful selling is required

WITHOUT such a program, the co-op will grow slowly, for most of its potential members now know little and care less about the philosophy of the movement, which cooperative leaders insist must be "put across" if they are to build permanently. This can't be done as simply as saying to a customer:

"This cereal has been improved by making the flakes thinner, by changing the formula, and by protecting crispness through the use of a new moisture-proof wrapper."

Really selling cooperative principles requires a close contact with the prospect, and against the competition of big-city life even this contact will be difficult.

Although co-op leaders stress the need for selling the movement as a "cooperative democracy" which is the hope of our civilization as a substitute for capitalism, communism, or fascism, the "save money" angle appears to be far the most effective sales point for most prospective members.

Added to this general difficulty is the specific problems of every educational movement in a large city—the number and diversity of the social groups to be reached. Professional people, business people, laboring classes, white collar workers, small business men, salesmen, acreage operators, farmers all have varying interests, little or no contact with one another, and no great desire for such contacts. City co-ops have better success when they recruit most of their members from within one

group, as in the labor-sponsored cooperative recently established in Racine, Wis. How to get these groups together, and how to operate and stock a store to appeal to all or even to most of them, are very real problems for the city co-op.

## What of future growth?

HOW fast will a co-op grow in a city of 140,000 persons, where the very size of the city itself is a difficulty of importance?

If the goal of 300 members is reached early this year, and thereafter there is a gain of 25 per cent each year, in early 1942 the cooperative will have 916 members, representing about three per cent of all families in the city. If the membership shows an improbable 50 per cent gain each year, in 1942 the group will have 2,255 members, or about seven per cent of all families in the city. Naturally this estimate assumes only a normal self-made growth and presupposes also the absence of an all too probable program of extensive government loans to cooperatives. It assumes also that the persons most likely to be interested in such a program will be the first to join, and that, after reaching a certain point, the movement will have an increasingly slow growth because the remaining prospects will be more difficult to sell.

In attempting these gains, the big city cooperative will face all the operating difficulties of private business—intense competition, public indifference, lack of employee interest, buying problems, slow turnover, waste, inadequate records, and, above all, uninterested or incompetent management. The metropolitan co-op will also be harassed by the peculiar weaknesses of cooperatives—the apathy of members, the absence in officials of a practical business background, and too often the lack of salary incentive for good management. Co-ops usually pride themselves on paying "moderate" salaries.

Ranged against these difficulties will be the powerful "save money" and "buy from yourself" sales points that are certain to give the movement a great appeal to a large group of buyers.

It is evident that the big-city cooperative is getting a start, that it will grow, and that it will be a more or less important factor in American business. But it has a hard row to hoe, and some years will pass before it takes a worth while share of the big-city retail market. Certainly it is no Frankenstein's monster ready to crush hundreds of retailers and wholesalers tomorrow.



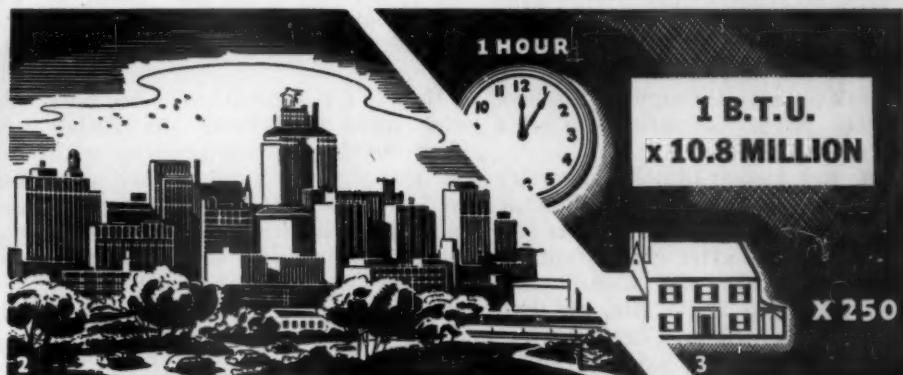
# ...A HOLE that is greater than any of the PARTS



An interview with Willis Haviland Carrier, Chairman of the Board of Carrier Corporation—whose made-to-order weather pervades the NBC studios

A nozzle orifice of precisely 3/16-inch diameter... on which depends the air-conditioning of America's broadcasting headquarters at Radio City

NBC STUDIOS

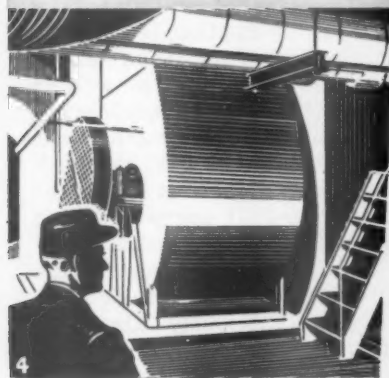


1. "When, with Robert Close, air-conditioning engineer, we surveyed the demands of the National Broadcasting Company's offices and 27 studios in Rockefeller Center, we discovered what a sizeable job we faced:

2. "For instance, in summer, we found we'd have to provide refrigeration equal to nearly 2 million pounds of melting ice a day. That one day's work would supply a city like Dallas, Texas, with ice enough to last for a whole year.

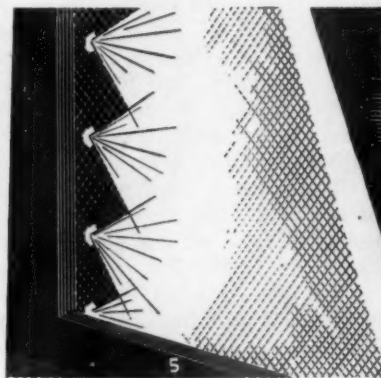
3. "In extremely hot weather we remove every hour 10,800,000 B. T. U.'s of heat. That's enough to provide winter heating for 250 average size homes.

4. "From four dehumidifying chambers, which wash 200,000 cubic feet of previously filtered air a minute,



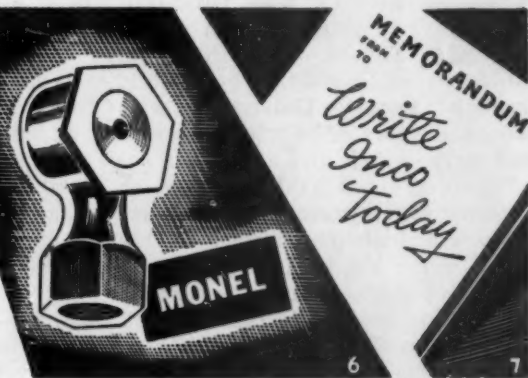
the cleaned, treated air is pumped through fifteen miles of ducts to the various offices and auditoriums in 'Radio City'.

5. "In the washing chambers are more than 1300 Monel nozzles, through which water is forced at 25 pounds pressure, making a fine spray. A nozzle orifice of exactly 3/16-inch is essential to efficient working of the sys-



tem. Any enlargement due to erosion, corrosion or rust would prevent effective atomization.

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# An Industrial Youth Movement

(Continued from page 25)

before the office closed on the last possible day. But his coach was as nearly perfect as one boy's coach could be. Now he is a student at Massachusetts Tech. Allen McLean of Collingwood, Ontario, had never been able to read plans and specifications. But he made himself concentrate and so he won a prize. Albert W. Fischer read Horatio Alger's tales of the village boy who made good when he was just a little tike.

## Winning a chance

"I SOMETIMES feel that my own life is as romantic as that of the boys he wrote about," said Fischer. "I did not seem to have a chance to go to college. I was lucky to be able to work my way through high school and not quit school entirely to get a job. And now—"

He graduated at Illinois University with a Greek letter and high honors. He had so wisely husbanded his \$5,000 prize that, after graduation, he had a \$1,000 bond and \$600 in cash with which to begin life. He had something perhaps better, too. Charles F. Kettering gave him a job in the Research Department of General Motors.

Raymond S. Doerr of Battle Creek duplicated this story except that he went to General Motors' proving ground. Donald Burnham's father runs a gas station in West Lafayette, Ind. The boy finished high school with high honors, but it was the Guild prize of \$5,000 that helped him through Purdue University with honors. He may, if he wishes, show a gold wrist watch and a citation:

"Granted to Donald Burnham as the outstanding member of his class in mechanical engineering. This award is for his proficiency in presenting a technical subject to a group of technical and non-technical men."

There is a slight commercial tinge to the competition in little coaches. At least some folk might call it a commercial tinge. Precisely why they feel that way is a mystery. An honestly made profit is one of the inspiring things of life. Industry would be weaving cloths on clumsy looms and hammering out iron points for wooden plows if it were not for commerce. The Fisher Body Division of the General Motors Corporation may profit in some way through the fact that in six years 1,250,000 boys have had a grand

time in the Craftsman's Guild and that 49 boys have won university educations through it.

There is an odd fact about that forty-ninth boy, by the way. One year three boys were tied for first place in the Canadian competition. The judges stewed and moiled over their coaches, but there was not a flaw or a tint or a curve that was not precisely right. Yet only two \$5,000 prizes had been offered for Canada. The only right thing to do, in the opinion of W. A. Fisher, President of the Guild, was to give three prizes instead of two. And it was so ordered. To get back to the origin and significance of the Guild. It might be said to trace back to the grandfather of the seven Fisher brothers.

He was a blacksmith. The brothers who were to become the Fisher Brothers Corporation grew up with the clang of the anvil in their ears and the smell of the blacksmith's shop in their nostrils. There is no other odor just like it, compounded as it is of singed leather and burned hoof parings and wood and the ozone liberated when the sparks spurt in long streamers from the white-hot iron under the hammer. The blacksmith grandfather taught craftsmanship to the man who was to become their father. He was in his turn a carriage-maker and as his sons in their turns grew large enough to handle tools they were taken into the shop.

No doubt there was a tinge of commercialism in this, too. The Fisher brothers were husky youngsters, and saved their father many a dollar that must otherwise have been spent for hired help. He made good workmen out of them because he needed good workmen. This is not the story of the Fisher brothers. But after they had accomplished what everyone knows they did accomplish they took time out to consider the fun they had had while they were learning. The average boy likes to work with his hands. Any mother will report on queer assemblies of cigar boxes and spools and string found from time to time where her hopefuls gather. Small town boys, even yet, may be able to find carpenters who set up their benches under the apple trees in the summer, or blacksmiths who are willing to use spare time in making horseshoe nail rings for them. But the boys in a city have no such luck. If one has a leaning toward

mechanics his only opportunity is likely to be in the grease pit of a filling station.

There had been a run on ship models in this country. Most of us bought one to put on the mantel. A comparatively few made their own. Then a fad sprang up for little coaches. Not many cared whether the coaches more than remotely suggested the coaches that had once been on the roads. If the wheels were comparatively round and the windows looked like square holes too many of us were satisfied. Many of them might have been assembled in sweat shops from parts bought at push carts.

With blacksmiths and carriage-makers in their family tree, the Fishers could not tolerate such sloppiness. When they determined to give the boys of the United States and Canada a chance to learn true craftsmanship they selected significant models and set a high standard. The coaches of the Napoleonic period were the finest the world has ever seen. The original of the court coach which serves as a Guild model is in fact a combination of the features of Napoleon's two finest.

## A study in craftsmanship

THIS aroused my curiosity. Either the coronation or the wedding coach should have been—it seemed to me—a perfect symbol of craftsmanship. The natural assumption is that the combination is finer than either model would be alone. But who in democratic America was qualified to say that the coronation coach excels in some respects but that the wedding coach is more perfect in others? The answer to that query makes it evident that the Guild makes something more than craftsmen of its members. While learning their craft they are unconsciously absorbing history and romance. In the end they will not only have discovered the fascinating possibilities of wood and metal working, but will have learned something of the great story of transportation.

One of the technical directors of the Guild is Major Walter Leuschner, once of the Imperial German army, and perhaps the last builder of royal coaches. It is even possible that no other royal coach will ever be built. His family had been coach-builders for generations to the royalty and nobility of Germany, in days when



# LESS "ISOLATION" FOR INDUSTRY . . .

ONE of American industry's major ills is the lack of understanding between it and the public it serves. The people whose lives are bettered a hundred times a day by the comforts and conveniences that industry has provided regard it, too frequently, in an unflattering light.

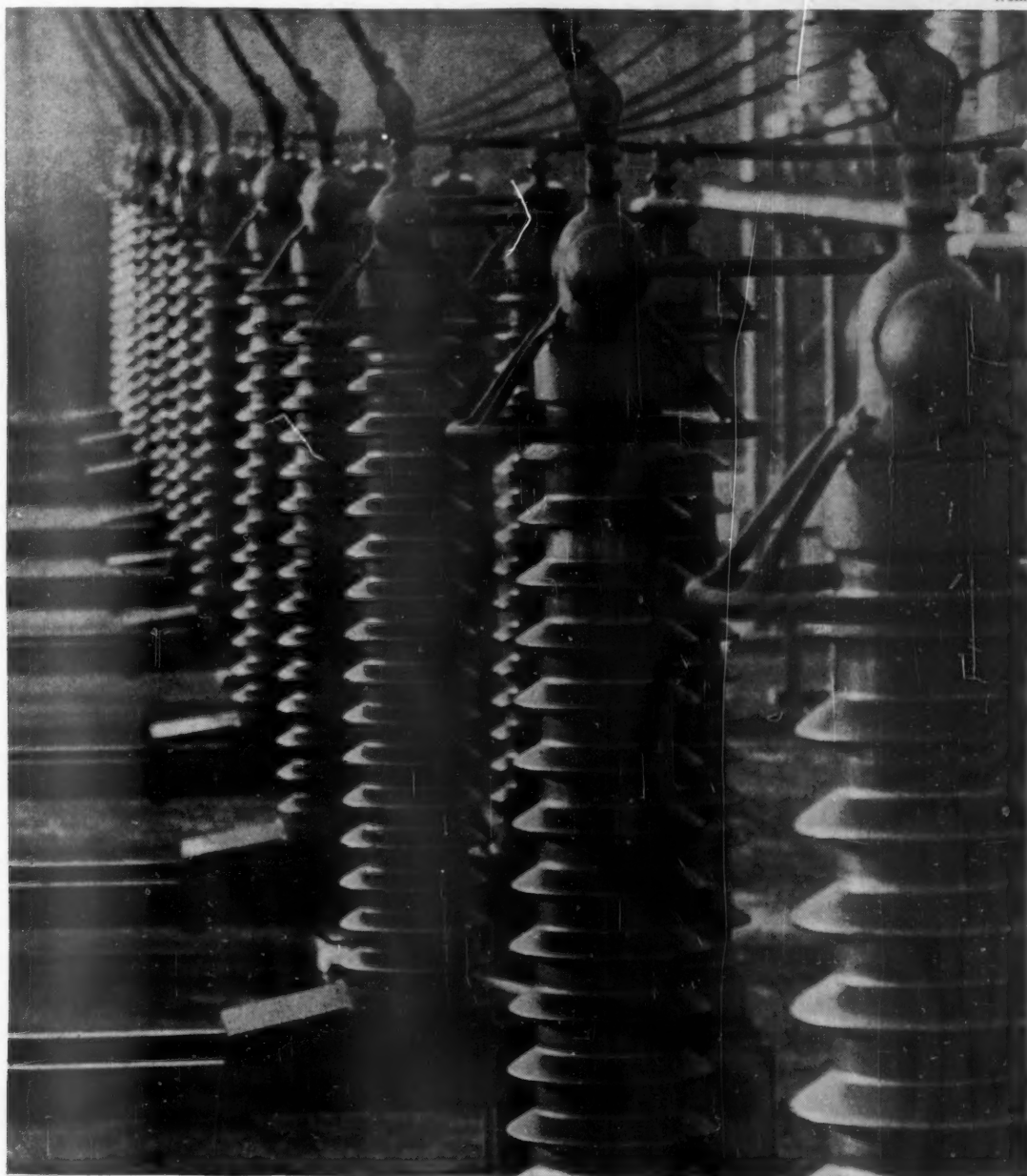
Business and industry are trying to establish closer contact with their customers and their workers. It is the working, buying public that determines the popular status of a concern. And it is also the good-will of this same public that spells acceptance for a company's products or for its policies.

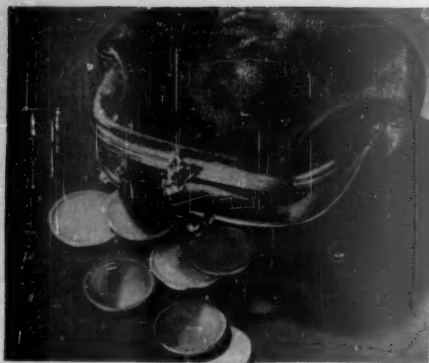
The Sun has consistently provided opportunities to show the countless benefits the American industrial system has made possible and the many services it has rendered.

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every little princeling owned a court coach with which to impress his subjects and a travelling coach in which to visit his neighbors in such comfort as the roads would allow. In 1833 the Leuschners opened a factory in Berlin for which the only customers were to be royal. They had absorbed the traditions of centuries. Every coach was to be perfect.

"We made all the coaches for Kaiser Wilhelm," said Major Leuschner, in speaking of his own life as a coach-builder to kings. "In 1900 coaches were replaced by automobiles and we made the bodies for them. We built for the King of England, the Empress of China, and the wedding coach for the Crown Prince of Germany. Tewfik Pasha and Kemal Pasha and Abdul Hamid were our clients. We equipped King Humbert of Italy, the Czar of Russia, the Emperor of Japan and the Austrian archdukes."

### Going back to guild days

SECRETARY McLean told of the beginnings of the Guild:

It was a natural from the start. The boys took to it because it was a competition and because of the liking that most boys have for doing something with their hands. Then they became interested in the mysteries of craftsmanship. They learned that there is something more than mechanics in craftsmanship. A man may be a good, sound workman, and still lack that little added something.

In their schools they studied the history of the old Guilds, not only as to their relation to the work-life of their day, but to history and politics and statesmanship. At our annual banquets the convention hall is always hung with the banners of the ancient guilds, and as nearly as possible it is translated into a likeness of Guild Square of the Brussels of 400 years ago. These things help the boys to find more in craftsmanship than sawing and filing and painting.

The properties of woods and metals were to be studied, they found that grace might be ruggedly strong, and they learned to enjoy conquering the difficulties. A boy who finishes his coach has something in him of grit and industry that almost ensures his future success.

The first thing W. A. Fisher realized was that the cooperation of school heads was needed. That was granted enthusiastically. Daniel Carter Beard, the Grand Old Man of the Boy Scouts, gladly accepted the Honorary Presidency. A corps of 32 stars among athletes was sent out to visit the schools and encourage the boys to fight to conquer handicaps. They were told how Jack Dempsey tied his right hand and battered at punching bags with his weak left until it became the most dangerous fist in Christendom.

Doctors said that Glenn Cunningham's legs had been burned so badly that he would never walk again. Be-

cause he refused to be held down, the fast mile became almost his personal property. His most constant challenger was Bill Bonthron, whose legs had been burned to a crisp by a high voltage wire.

Then the boys went at it. They absorbed that dogged determination of the athletes. They accepted the fact that a boy who began a coach and did not finish the coach had been licked. Not all of them can construct fine coaches, it is true. Some of them are incurably thumb-handed. But each can at least finish a coach, and the next year he can finish a better coach.

After his first year's trial one boy got a job selling papers on a street corner, and stuck to it all winter long, so that he might buy the better tools he needed. His father wrote Mr. McLean about it.

"He may never win a competition," he said. "But he has already won something I did not think he could. I did not know my boy."

The letters Mr. McLean receives from parents are astounding both in number and quality. They take their parentage problems to him as well as those more nearly relating to the Guild. The boys are constant correspondents, too.

No one will doubt that each coach is the product of its owner's work who will read these letters, in which they tell of the problems they encountered and the manner in which they were surmounted.

One letter I read was ten or twelve pages long, in which each step was diagrammed and explained. I have forgotten now whether the writer won a prize, but that he has demonstrated unusual ability is certain. Perhaps one reason for this interest is the fact that the prizes go to the boys themselves. No parent has a claim on them.

### Prize money is well used

WHEN a boy wins one of the \$5,000 prizes, the money is placed in a trust fund in his name in a Detroit bank. It may only be used to pay the costs of his education, but the trustees are given a certain discretionary power. The father of one of the \$5,000 winners was on relief last year. During the summer he was able to get an outside job, but when cold weather came he was obliged to appeal again for help.

"Nothing doing," said the authorities. "We saw your name in the paper. Your son won a \$5,000 prize. What-tayamean, coming to us for aid when you have money in the bank?"

The father explained that it was not his money.

"Sure it's your money," said the



authorities. "Your son isn't of age, is he? Well, then. It's your money."

But it was not the father's money. The trustees spent time and patience and finally convinced the authorities that the \$5,000 would be spent only to get one upstanding boy the education he had worked for. But they were fair-minded men, too, and permitted the payment to the father of a sufficient sum to cover the boy's living costs while he went to school. That story might be repeated in many different forms, but the ending is always the same. The money goes to the education of the boy, and to nothing else.

When he has finished college he may, if he wishes, walk into a job in one of the divisions of General Motors, for he has demonstrated his quality.

Not only General Motors bids for the winners, however, for other employers recognize their value. Every one of them is on his way up.

### Craftsmen are always needed

"IN SPITE of electric eyes, remote radio control, and new and more cunning machines, there will always be need for craftsmanship as long as there are human beings," said W. A. Fisher.

"The machine has come in for some short-sighted criticism. Many have assumed there is no place for the craftsman in the factory or machine shop of today. But how did the machines themselves come into being? Trained minds conceived them. Trained hands built them."

Perhaps I have been factual to the point of dullness in presenting this story of the Craftsman's Guild. But the facts will be eloquent to the reader, if he can make himself see with his mind's eye an army of 350,000 young men patiently shaping the minute bits of wood and metal and leather and cloth that go to make up these dainty vehicles. Colleen Moore was able to do so.

When she visited Detroit with her half million dollar Doll's House which she is exhibiting for the benefit of various charities she saw the exhibit of Craftsman's Guild coaches and heard the tale.

"I think," said the star of the movies, "that I am going to cry."

One of the coaches is a part of her Doll's House exhibit now, and sometimes she tells the story. The girls in her audiences love the housekeeping arrangements of the dolls, but the boys stare at the little coach with fascination.

No one can watch them without realizing that most boys are craftsmen at heart—if only they are given the chance.

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- ▶ We've applied the same sort of arithmetic to tourist and coach travel, and to Fred Harvey meals en route—as any Santa Fe representative will be glad to explain.

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## Shall Workmen Share in Profits?

(Continued from page 30)

times are unreasonably high, the obvious rejoinder is that such profits, if really so large as to be contrary to public interest, cannot be justified merely by the expedient of sharing them with labor.

### Profits are not uniform

TO the argument that the worker often shares business losses through unemployment or wage reductions, the answer is that these losses of labor have little or no recognizable relation to the profits of the employer's business. Some concerns continued to make profits throughout the depression. Unemployment was prevalent in some industries during the prosperous years of the late 1920's. Improvements in plant or in managerial ability may increase the profits of a company and at the same time necessitate the laying off of employees.

In many cases the companies whose employees suffer most severely from unemployment and wage reductions are the same companies that make little or no profit in the most prosperous periods. Conversely, the companies that are able to distribute shares of profits to wage earners are likely to be the most stable in periods of depression.

Our conclusion must be that the "inherent right" argument in favor of profit sharing is worthless. The employer who happens to prefer not to share profits need have no qualms of conscience. He is under no moral obligation to do so.

Now for the second group of arguments in support of profit sharing. Here we get out of the field of abstract ethical reasoning and into that of industrial management. Many advocates of profit sharing believe that it serves as a real aid to the employer through its effects upon the employees.

Theoretically, the sharing of profits with wage earners and others of the rank and file ought to serve as an incentive to the beneficiaries to work efficiently, to avoid waste, and to interest themselves in the sales of the employer's products, that

the profit available for distribution might be as large as possible.

The trouble with this theory is that sometimes it works out and sometimes it doesn't. Employers who have experimented with profit sharing report varying results. In some companies the effects upon the wage earners have been fully up to expectations; in others, results have been neutral, while in still others there appear to have been by-products that were positively detrimental.

Some companies that have had favorable experiences with profit sharing report that employees have become zealous in looking after employers' interests to the point of complaining to the management about minor wastes of material or other seeming extravagances. There have also been instances of increased working efficiency, of more intelligent cooperation with supervision, and of general toning up of factory morale.

But, on the other side of the ledger, we find complaints from many employers that profit sharing has



Even methods of accounting may have to be explained to men in overalls

failed to bring worth while results and that, in some cases, it has seemed actually harmful. Some employers, for example, report that employees soon come to consider profit sharing disbursements as a part of wages, take them for granted when they are received and are aggrieved if they are discontinued or reduced. Bonuses in times of prosperity, moreover, have influenced employees' standards of living, with consequent disappointment and disillusionment when the



extra compensation disappears in times of slack business.

In some cases employers have found that the distributions of profits are so infrequent that their apparent connection with the employee's own efforts is remote. This has tended to nullify some of the expected good results.

Then, too, employees often have realized that nothing they can do can have more than a slight influence upon the profits of the company as a whole. This has blocked the incentive value of the plan. Still other objections are based upon the discovery in some companies that employees do not understand accounting methods and are inclined to suspect that their shares of profits are not as great as they ought to be.

### Individual plans are required

NOT all these objections are inherent in profit sharing. Some of them may be overcome by judicious selection among possible types of plans and by intelligent and sympathetic administration. Nevertheless, they throw doubt upon the efficacy of profit sharing as an aid to management. Of this whole line of argument about all that can be said is that, for a particular company, profit sharing is a good thing if it works. If it doesn't work it is useless or worse.

There remains the argument based upon public opinion. Is profit sharing a necessity from the standpoint of an industry as a whole, to protect the capitalistic system against attacks and to satisfy the public demand for a "better" distribution of industrial earnings and for a wider diffusion of purchasing power? Here we enter a field of controversy and speculation. The question cannot wholly be answered either by abstract ethics or by factual economics.

All a business man can do is to study the subject sympathetically and with an open mind, undertaking whatever experiments seem reasonable in view of the total situation. Many leading business men are doing just that.

If an industry or a particular company decides in favor of profit sharing (or some other extra compensation plan based upon company earnings) the next step is to determine the kind of plan most likely to bring the desired results.

On this point the experience already on record proves little except that plans adopted in the past exhibit wide variations and that these variations seem to have no recognizable connection with the resulting successes or failures. Some of the differences seem to be quite accident-

al and to be based upon nothing more than the whims of employers.

There is a considerable field of justifiable variation, however, because of the legitimate differences in purposes for which profit sharing is initiated. To cite a simplified example:

A plan that is intended mainly to increase working efficiency ought to provide frequent bonuses in cash, with no restrictions upon prompt withdrawal and expenditure of each employee's supplemental earnings, while a plan having as a primary purpose the encouragement of thrift should provide for substantial payments at relatively long intervals and preferably with some extra incentive for the worker who leaves his share in a permanent fund or otherwise saves it for use in times of unemployment or retirement.

Existing and discontinued plans show some differences in practice regarding the regular compensation levels upon which the shares of profits are superimposed. When profits are shared with the rank and file of employees, the consensus of managerial thought approves the payment of wages that are standard for the jobs; in other words, the wage scale should be independent of the profit sharing scheme.

The employer who becomes convinced that a profit sharing plan would be advantageous in his company, or who believes that such a plan should be adopted as part of a general program of social reform, first of all should decide just what type is best suited to gain the purpose he has in view.

### Earnings must be explained

HE should avoid adopting a ready-made scheme simply because it has had success in some other company. He should try to draft his plan so that, once adopted, it will "stay put" and not require frequent revisions in times of unexpected increases or decreases in company earnings. He should realize that profit sharing involves also the sharing of information about earnings and costs. The "secrets of the business" no longer can be kept sacred.

Even methods of accounting may have to be explained to the workmen.

Above all, the employer should realize that a profit sharing plan is only a part of a labor policy, not all of it, and that, to obtain desirable results, it needs to be fitted into the company's other personnel practices, including the wage system. It is seldom advisable to make profit sharing the first item in an industrial relations program. More often it is better to let it be one of the last.



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